Coventry Group Ltd

ASX RELEASE

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2018 Full Year Results

Coventry Group Ltd

Highlights

- Trading performance of the Group improved during FY18.
- Sales +11.7% (excluding the discontinuing operations of AA Gaskets) to $168.7m ($151.0m FY17).
- Underlying EBIT loss of -$6.1 (-$12.5m FY17).
- Reported loss from continuing operations for the year -$8.3m (-$37.7m FY17).
- Reported profit for the year $6.0m (-$35.5m FY17) including profit on sale of the AA Gaskets business and the discontinuing operations of its business.
- Net cash of $5.0m with no debt.
- Share price doubles in 12 months as Group results improve under new leadership and direction.
- No final dividend declared.

Revenue

Percentage revenue change for the full year of FY18 when compared with the prior corresponding period is shown below:

Revenue change	FY18 vs FY17 % revenue change
Cooper Fluid Systems	+20.9%
Trade Distribution	+6.6%
Consolidated Group excluding non-continuing operations	**+11.7%**

Note 1: Excluding the discontinuing operations of AA Gaskets.

Divisional Commentary

Cooper Fluid Systems

- Cooper Fluid Systems significantly increased contribution to the Group during FY18 to $5.0m ($2.6m FY17). Revenue has seen substantial growth with sales up 20.9% on FY17. Sales growth is being driven by an increase in service, maintenance, upgrade and new equipment activity in the resources sector.

Trade Distribution

- Trade Distribution New Zealand continued to perform well in its key markets, with revenue up 15.1% on FY17 and an increased contribution to the Group of $3.1 ($2.3m FY17).
- Trade Distribution Australia (TDA) continued to show steady improvement with sales up 3.5% on FY17. Full year loss was reduced to $6.1m from $7.5m in FY17 with the financial impact of most initiatives to be fully realised in FY19. The Executive Leadership Team are taking a hands-on approach to accelerating the pace of improvement and return of TDA to sustainable profitable growth. Initiatives to improve business performance are focussed on our value proposition to drive profitable sales growth and reducing costs in our expensive DC infrastructure.

Corporate

- Excluding an insurance recovery relating to a Cyber-attack previously reported and reduced income in relation to the Redcliffe property, corporate net costs reduced on FY17.

AA Gaskets business divestment

As previously communicated the AA Gaskets sale completed on 1 December 2017. The transaction has been finalised and net proceeds from sale of the business assets received.

Balance sheet

The Group has a strong working capital position with Current Assets exceeding Current Liabilities by $47.2m, including cash funds available of $5.0m, as at 30 June 2018.

Group net tangible assets per share is $1.30 ($1.30 as at 30 June 2017).

The Group has access to a $13.0m securitized debtor facility through Scottish Pacific that was undrawn at 30 June 2018.

Inventory levels remained high in FY18 due to a focus on improving stock availability in the TDA branch network and the need for additional inventory to manage the rapid sales growth in CFS. Detailed plans have been developed to reduce excess and slow-moving stock in FY19.

Dividends

The Board has determined that no dividend be declared.

Outlook

Our key markets in mining and resources, construction and industrial are continuing to perform well.

Overall, we remain confident that our strategy will deliver sustainable profitable growth with all plans geared to a return to Group profitability in FY19.

For further information contact:

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