Investor presentation

Full year results to 30 June 2018

Coventry Group Ltd

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1. Overview

Robert Bulluss, CEO & MD

Coventry Group Ltd

Company overview

Coventry Group Ltd (ASX: CYG) delivers innovative industrial solutions to the mining, construction and manufacturing sectors. We supply a range of fastening systems, cabinet hardware systems and hydraulics, lubrication, fire suppression, refueling systems and products.

Trade Distribution (TD)

Comprises Konnect fastening systems and Artia cabinet hardware systems through a wholly owned branch network (42 in Australia and 14 in New Zealand) selling to customers in mining, construction and manufacturing industries.

Cooper Fluid Systems (CFS)

Designs and manufactures hydraulics, lubrication, fire suppression, refueling systems and products to customers in the mining, construction and manufacturing industries through 11 branches in Australia.

We value the health, safety and well being of our people first and foremost.

Our aim is for zero lost time injuries

OUR VISION

To be an innovative Industrial Supply Group achieving sustainable profitable growth operating through specialist business units.

OUR VALUES

At we value Respect, Fairness, Teamwork, Integrity and Professionalism.

Above all, we value Our People and Our Customers.

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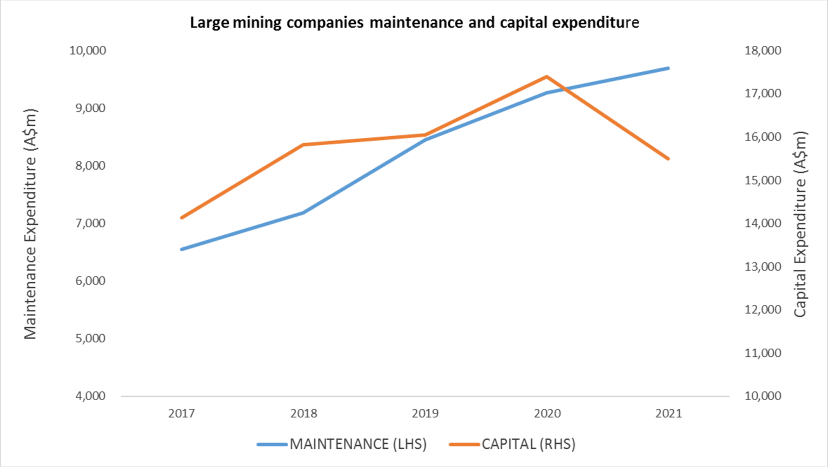
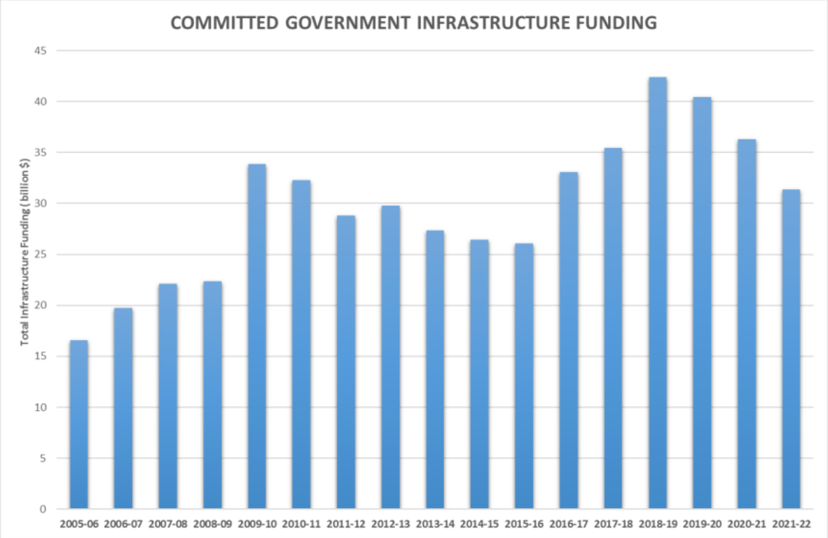
Market overview

- **Core markets = attractive and growing**
  - ➢ Mining and resources
    - Increase in service, repair and maintenance work expected to continue
  - ➢ Construction/infrastructure
    - Significant infrastructure spend underway and commercial construction market remains strong
  - ➢ Industrial
    - Increased activity in commercial and infrastructure projects
- **Wide geographic coverage enables better customer service**
  - ➢ Australia: national presence for TD and CFS
  - ➢ New Zealand: TD
- **Fragmented markets with few large competitors**
  - ➢ Market share estimated to be less than 10% in all segments
  - ➢ Significant growth opportunities exist for both business units



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



Source: Infrastructure Partnerships Australia

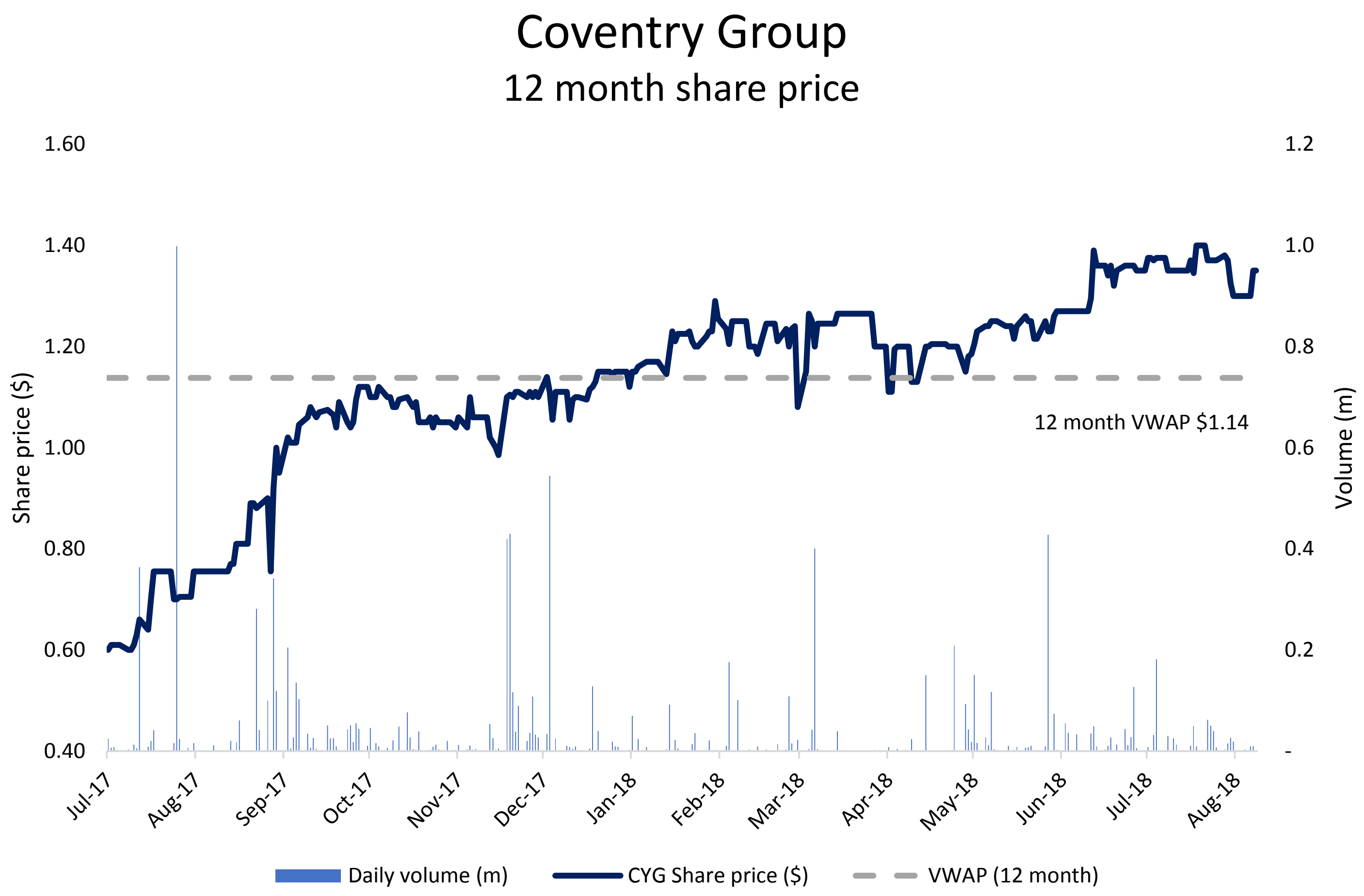
FY18 overview

1 **People & safety**	• The Group is committed to the health, safety and well being of our personnel • 8 minor Lost Time Injuries in FY18
2 **Leadership team**	• Strengthened with the appointments of Rod Jackson (Chief Financial Officer) and Tracey Gibbins (General Manager – People, Safety, Well Being and Quality)
3 **Business initiatives**	• Implemented a wide-ranging program of manageable disruption touching many parts of its operations (particularly Trade Distribution Australia) • Focus remains on the customer by providing the best service levels through quality products, stock availability, expertise and agility. This is delivering sales growth and margin improvement
4 **AA Gaskets sale**	• Successful restructure and sale of the business completed in December 2017 generating $13.1m cash for CGL (72.5%)
5 **Financial performance**	• Sales +11.7% (excluding the discontinuing operations of AA Gaskets to $168.7m ($151.0m FY17) • Underlying EBIT improvement of $6.4m to a loss of -$6.1m (-$12.5m FY17)
6 **Balance Sheet**	• Net Tangible Assets of $1.30 per share • Net cash of $5.0m with no debt

Share price

- Operational improvement has translated to significant shareholder value creation
- 125% share price increase to $1.35 at 30 June 18
    - Compared to $0.60 at 30 June 2017
- Market capitalisation improved by $28.1m to $50.7m

Note: Share price as at 23 August 2018 at $1.24



Source: IRESS

2. Financials

Rod Jackson, CFO

Coventry Group Ltd

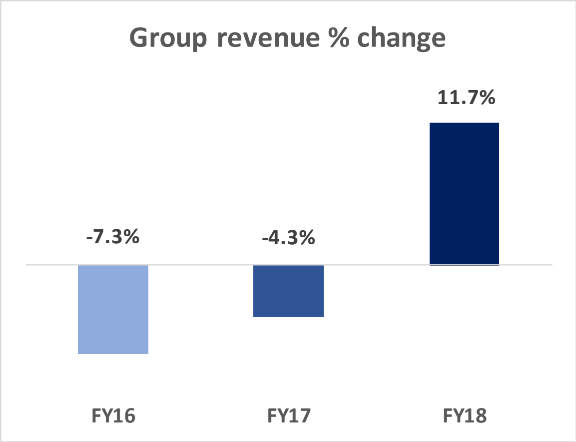
FY18 financial highlights

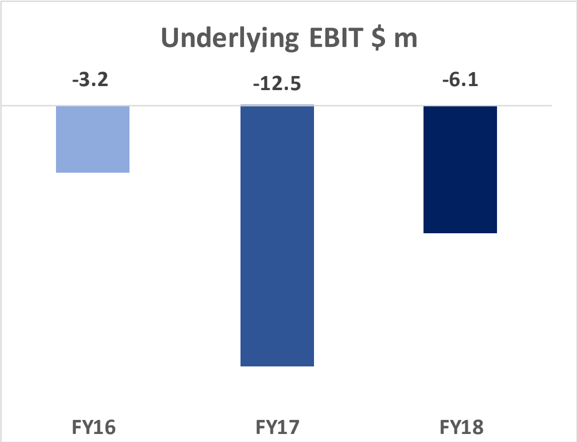
- Sales +11.7%
  - Up to $168.7m ($151.0m FY17)
  - Increased average stock availability across all branches of 96% (FY17: <75%)
- Underlying EBIT improvement of +$6.4m
  - Full year loss of $6.1m (up from -$12.5m in FY17)
- Loss from Continuing Operations –$8.3m
  - Loss reduced by $29.4m from $37.7m loss in FY17
  - Excluding discontinuing operations of AAG and the profit on sale of AAG business
- Statutory net profit after tax = $6.0m
  - Includes 5 months of operations of AAG and profit on sale of the AAG business of $14.3m.

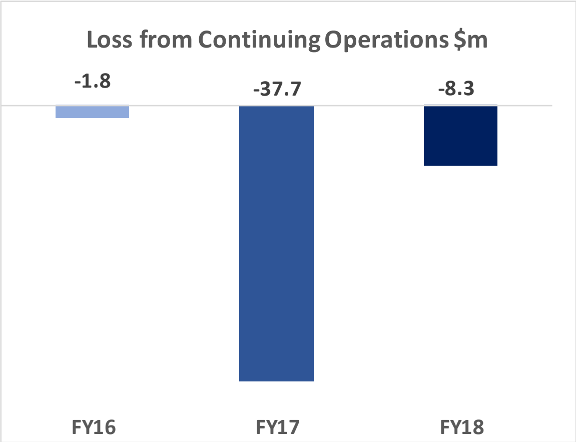
($m)	FY18 (1) (2)	FY17
Revenue from sale of goods	168.7	151.0
Underlying EBITDA	-4.7	-9.7
Underlying EBIT	-6.1	-12.5
Loss from Continuing Operations	-8.3	-37.7
Net cash	5.0	-2.9
Net Tangible Assets p/s ($)	1.30	1.30
Share price at year end	1.35	0.60

Notes:
1. Excluding the discontinuing operations of AA Gaskets
2. Excluding the profit on sale of the AA Gaskets assets

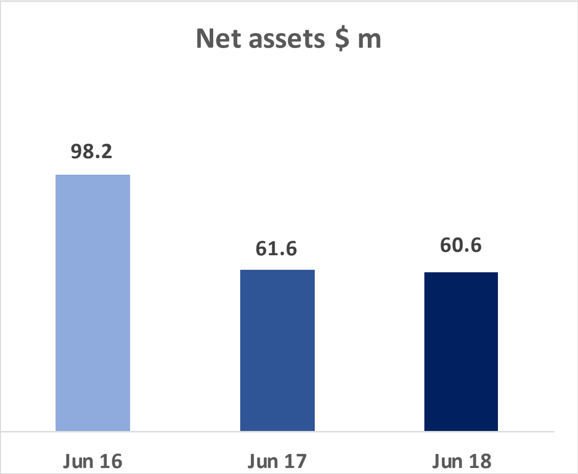
Positive trends for KPIs

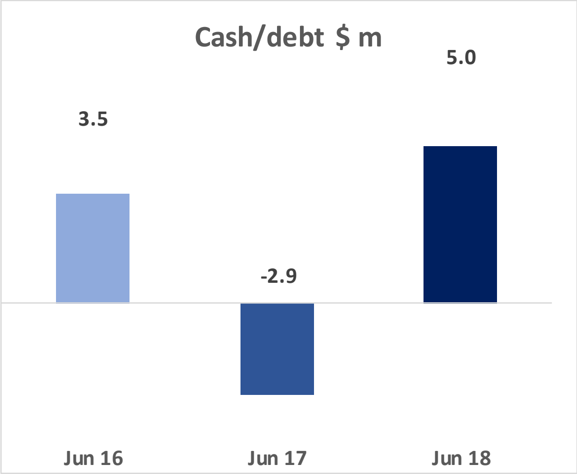


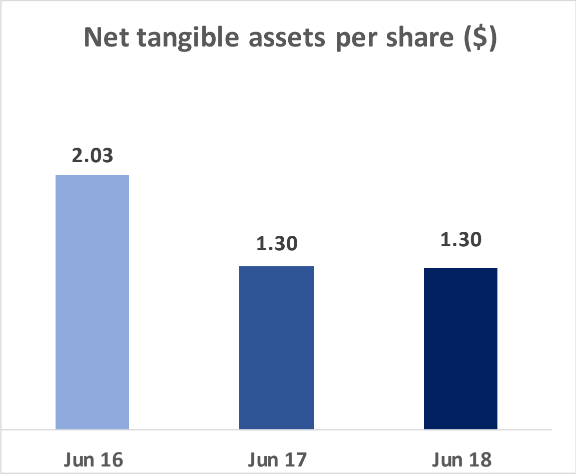




The discontinuing operations of AA Gaskets have not been included in Group Revenue %, Underlying EBIT, and Loss from Continuing Operations calculations







Impairments of $24.3m in FY17 negatively impacted the Net tangible assets per share

Trade Distribution

($m)	FY17	FY18	% change
Revenue	97.0	103.0	6.6%
EBIT (underlying)	-5.2	-3.0	43.2%

Improvement in both Australia (TDA) and New Zealand (TDNZ)

- TDNZ is performing strongly
- TDA is continuing to show encouraging signs as service levels improve
- Sales up 6.6% on FY17
  - Both TDA and TDNZ have had 4 consecutive quarters of sales growth compared to the prior year
- Underlying EBIT improvement of $2.2m in FY18
  - Loss in TDA more than profit in TDNZ

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Trade Distribution - Australia

($m)	FY17	FY18	% change
Revenue	70.9	73.4	3.5%
EBIT (underlying)	-7.5	-6.1	18.9%

TDA continues to show signs of improvement – more to do…

- Sales up 3.5% on FY17
  - ➢ First positive year-on-year improvement in 10 years
- Underlying EBIT improvement of $1.4m on FY17
  - ➢ Still loss making division (-$6.1m in FY18)
  - ➢ FY19 will see the full year impact of sales & margin initiatives; loss making branch closures and consolidations and the DC rationalization project
- Continued focus by the Executive Leadership Team
  - ➢ New initiatives successfully implemented during FY18
  - ➢ Aim of delivering material improvement in EBIT in FY19

Trade Distribution - New Zealand

($m)	FY17	FY18	% change
Revenue	26.1	30.0	15.1%
EBIT (underlying)	2.3	3.1	36.3%

Excellent result from TDNZ with improvement in all key metrics

- Sales up 15.1% on FY17
- Underlying EBIT up 36.3% on FY17
- EBIT margin of 10.5%

Cooper Fluid Systems

($m)	FY17	FY18	% change
Revenue	54.1	65.4	20.9%
EBIT (underlying)	2.6	5.0	89.8%

Overall an outstanding result from CFS

- Sales up 20.9% on FY17
- Underlying EBIT up 89.8% on FY17
- EBIT margin of 7.6%

Corporate

($m)	FY17	FY18	% change
Corporate costs	-10.6	-8.1	-33.3%
Property costs	-2.2	-2.4	
Other income (includes rent and one-off insurance claim)	2.9	2.4	
Net corporate costs	-9.9	-8.1	-17.8%

- Corporate costs are 4.8% of sales
    - 17.8% reduction in corporate costs achieved in FY18 across a range of expense categories
    - Economies of scale will keep increases minimal as Group revenue grows

- Other income primarily comprises rent
    - Reduction in income from the Redcliffe property of $127k per month from the start of November 2017
    - Inclusion of $500k for insurance claim for cyber attack in FY17

Balance sheet

($m)		Jun-16		Jun-17		Jun-18
Cash & cash equivalents		3.5		5.1		5.0
Inventories		57.4		49.3		46.4
Trade and other receivables		30.8		29.3		30.5
Total current assets		**91.7**		**83.7**		**81.9**
Property, Plant & Equipment		16.0		4.7		4.6
Intangible assets		5.1		5.9		6.1
Deferred tax assets		16.1		6.7		6.1
Other non-current assets		-		0.1		-
Non-current assets		**37.2**		**17.4**		**16.8**
Total assets		**128.9**		**101.1**		**98.7**
Trade and other payables		21.8		23.8		30.5
Debtor finance facility		-		8.0		-
Other non-current liabilities		5.7		4.4		4.2
Non-current liabilities		**27.5**		**36.2**		**34.7**
Non current liabilities		3.2		3.3		3.4
Non current liabilities		**3.2**		**3.3**		**3.4**
Total Liabilities		**30.7**		**39.5**		**38.1**
Net Assets		**98.2**		**61.6**		**60.6**
Issued capital		108.1		108.1		107.8
Retained earnings & reserves	-	11.9	-	48.7	-	47.2
Non-controlling interest		2.0		2.2		-
Total equity		**98.2**		**61.6**		**60.6**
NTA per share (cents)		2.03		1.30		1.30

- Net Assets maintained
  - $60.6m (Jun 17: $61.6m)
  - NTA per share of $1.30 close to current share price (Jun 17: $1.30)
- $5.0m net cash reported
- Inventory levels remain high
  - Required to improve customer service and improve stock availability to improve DIFOT as part of sales initiatives
- Debtor levels managed well given sales growth
- Repayment of debtor finance facility
  - No debt at 30 June 2018

Cash flow

($m)	Jun-16	Jun-17	Jun-18
Net cash from operating activities	-1.9	-5.0	-4.1
Net cash from investing activities	-1.7	-0.2	19.4
Net cash used in financing activities	-2.6	7.6	-14.5
Net (decrease)/increase in cash and cash equivalents	-6.2	2.4	0.9
Effect of movement in exchange rates		-0.8	-1.0
Cash and cash equivalents	**3.5**	**5.1**	**5.0**

Solid capital management

- AA Gaskets sale proceeds applied to ensure balance sheet strength
  - Elimination of debtor finance
  - Minimum holding share buy-back

3. Strategy

Robert Bulluss, CEO & MD

Coventry Group Ltd

Coventry's value proposition

Renewed focus on our people and our customers

- Training
- Business Development
- Technology enhancement

Deliver service excellence

- Quality products
- Stock availability
- Employee expertise
- Geographic coverage
- Agility

Improved financial outcomes

- Grow sales
- Improve margins
- Reduce DC infrastructure costs
- Leverage existing infrastructure
- Return to profitability

TDA – FY18 turnaround evidence

In addition to sales growth turnaround:

Employees engagement

Improvement in net promoter score of 40.1% (FY17: -31.2%)

40.1%

	Detractors (0-6)	Passives (7-8)	Promoters (9-10)	Net Promoter Score
FY18	33%	24%	43%	9.1
FY17	50%	31%	19%	-31.2

Source: Internal employee engagement survey

Stock availability

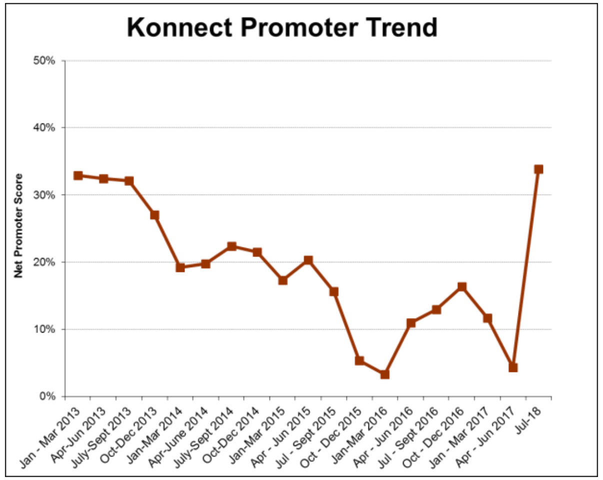
Average stock availability of 96% (FY17: <75%)

Product class	No of products	Availability %
AA	4,026	95%
A	4,193	95%
B	6,021	95%
C	9,446	96%
D	13,482	96%
Total	37,168	96%

Source: across all TDA branches

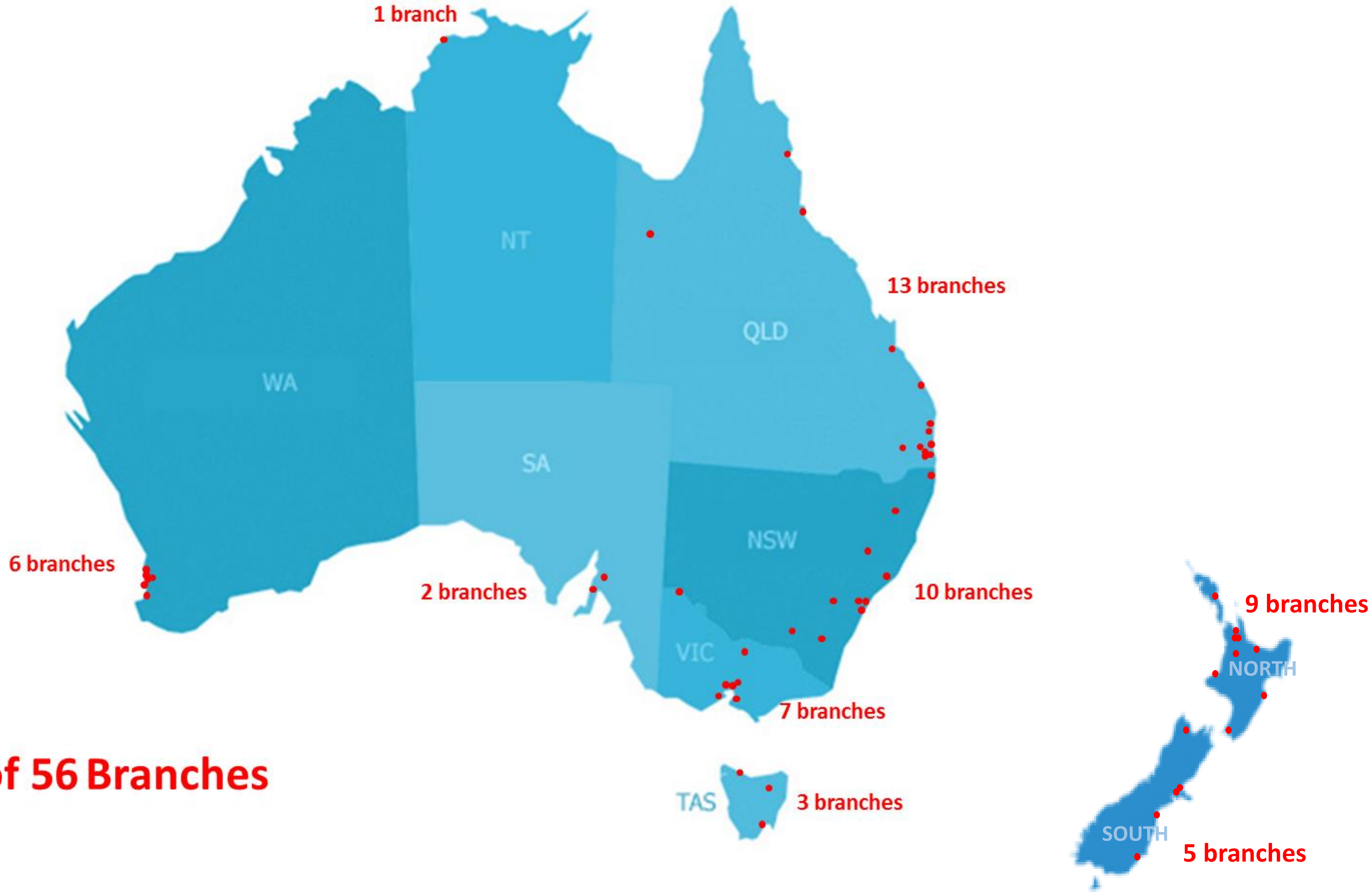
Customers

Net promoter score improved to 33.9% (FY17: 4.3%)



Source: Independent customer survey conducted by The Leadership Factory.
Note: A good score is between 10% and 50%.

Geographic coverage – Trade Distribution



Total of 56 Branches

Branch consolidations

- Gympie and Caloundra merged into Sunshine Coast
- Inner City Brisbane merged into Morningside
- Geebung and North Brisbane merged into a new larger location in Brendale
- Thomastown merged into Campbellfield

$723k in annual cost savings

- 3 new branch openings are planned for FY19

Growth strategy – TDA

1	**Increase market share**	• Invest in sales and business development resources • Improving service and value proposition • Investing in branch network layouts and resourcing • Growth in the Construction, Cabinet Making, Industrial Customers and Manufacturers (OEM markets)
2	**Joint targeting of potential customers**	Re-engagement with key supply partners
3	**Greenfield expansion**	New geographic regions plus metro expansion
4	**New products**	Expand product range with new products e.g. Segnut
5	**M&A**	Explore growth industries (e.g.construction market) and/or new geographic regions
6	**E-commerce**	Development of e-commerce capabilities
7	**DC optimisation**	Continued cost reductions from optimisation plan, EDI and ERP

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Growth strategy – TDNZ

1	**Increase market share**	• Invest in sales and business development resources • Improving service and value proposition • Investing in branch network layouts and resourcing • Growth in the Construction, Cabinet Making, Industrial Customers and Manufacturers (OEM markets)
2	**Greenfield expansion**	New geographic regions plus metro expansion
3	**Existing network growth**	Expansion of store capacity in Auckland
4	**M&A**	Explore growth industries (e.g.construction market)
5	**E-commerce**	Development of e-commerce capabilities

Geographic coverage – CFS

Total of 11 Branches

Branch network

- No recent consolidation
- New geographic branch opportunities exist

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Growth strategy – CFS

1	**Increase market share**	• Delivering service and value proposition • Growth in the Hydraulics, Fuel Dispensing, Re-fueling, Technical Services and Training markets • Further diversification into Agriculture, Oil and Gas, Forestry, Defense, Manufacturing and Transportation markets
2	**Target new sectors**	Growth in the hydraulic cylinder repair market
3	**Greenfield expansion**	Geographic expansion
4	**New products**	New Cooper Built product development
5	**M&A**	Acquisitions to diversify capability outside mining and resources
6	**E-commerce**	Development of e-commerce capabilities

Growth strategies are aimed at diversifying into new markets to lessen the cyclicality from the mining and resources sector

Acquisition strategy

- **Coventry has rationalised its business structure and the core business units remain well placed heading into FY19**
  - ➢ Sale of AA Gaskets
  - ➢ TDNZ and CFS performing well
  - ➢ Strategies in place to turnaround TDA
- **Acquisitions will be an important part of the future growth for the Group**
  - ➢ Infrastructure in place to support a larger business
  - ➢ M&A will be used to supplement organic growth
- **Acquisition and integration will be managed by the Executive Leadership Team**
  - ➢ CEO and CFO have undertaken many acquisitions together in previous roles

Key acquisition criteria:

- Industrial supply market (both CFS and TD)
- >A$10m turnover
- Profitable businesses
- Disciplined approach to value
- Management to be retained
- Ensure ability to adapt to ASX corporate culture
- Clear post-acquisition integration strategy
- Conservative funding structure

4. Summary and outlook

Robert Bulluss, CEO & MD

Coventry Group Ltd

Summary and outlook

1 Experienced team is in place	Focus on sales growth and sustainable profitable growth
2 Group is achieving solid sales growth	Has continued in early stages of FY19
3 Our key markets are performing well	In mining and resources, construction and industrial sectors
4 Strong balance sheet	No debt and finance facilities in-place and available
5 FY18 initiatives implemented	Financial benefits to be fully realised in FY19
6 Growth opportunities exist in all business units	Market share, new branches and acquisitions

All plans geared to return the Group to profitability in FY19

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