Coventry Group Ltd

ABN 37 008 670 102

Results for announcement to the market

26 February 2015

ASX / Media Release

2015 HALF YEAR RESULTS - COVENTRY GROUP

Coventry Group Ltd (ASX:CYG) today announced its financial results for the 6 months ended 31 December 2014

Highlights

- Special dividend of 17.5 cents per share fully franked to be paid in March 2015
- Interim ordinary dividend of 4.25 cents per share fully franked
- Net loss after tax of $3.3 million
- Significant asset write downs and provisions flagged for 2H15
- Refreshed board and management team in place with plans to return the company to profitability

Dividends

The Board has finalised its review of the Company's capital management and dividend intentions as originally announced on 1 July 2014. This has considered the outlook for current and forecast trading results, future investment requirements (as outlined in the Strategic Review announced on 9 February 2015), current cash balances and surplus franking credits.

After taking independent advice, the Board has determined that fully franked dividends are the most efficient way of returning surplus funds to shareholders. As a result, the Board has determined:

- To declare an increased special dividend of 17.5 cents per share fully franked (up from the intended 11 cents announced in July 2014);
- To bring forward the payment of the special dividend to 13 March 2015 (from July 2015); and
- To declare an interim ordinary dividend of 4.25 cents per share fully franked (down from the intended 11 cents announced in July 2014).

Mr Neil Cathie, Non-Executive Chairman, said: "The Board recognises that Coventry has retained a large cash balance for too long whilst it sought the right acquisition. Following feedback from shareholders and after considering the current trading outlook and implementation of the Strategic Review, the Board has carefully reviewed the Company's dividend policy. We have calculated the maximum amount that the Company can prudently pay now whilst retaining the potential to continue paying franked dividends to shareholders."

Whilst the provision of a dividend reinvestment plan or share buy back remains available to the Company, they will only be used when considered appropriate.

Results to 31 December 2014

Revenue for the six months ending 31 December 2014 was down 5.7% to $101.8 million (2013 $107.9 million) and the Group recorded a net loss after income tax of $3.3 million (2013 $0.2 million profit). This result includes an abnormal pre-tax charge of $0.6 million, paid in accordance with the provisions contained in the employment contract of the former Executive Chairman.

CEO and Managing Director, Peter Caughey, commented: "The Coventry Group is highly leveraged to the mining cycle. As conditions have softened, this has negatively impacted the Konnect and Cooper Fluids businesses in particular. Current conditions continue to be very challenging through pressures on volumes and margins."

Current trading conditions and outlook

Strategic Review initiatives announced on 9 February 2015 are being progressed and will enable Coventry Group to better respond to current economic headwinds; primarily through:

- Rationalisation of the distribution network which is forecast to reduce annual operating costs by approximately $4 million per annum within two years; and
- Headcount reductions that are expected to reduce operating costs by approximately $7 million per annum from the start of the 2016 financial year.

CEO and Managing Director, Peter Caughey, commented: "We are confident that the initiatives outlined in the Strategic Review will lead to a significant turnaround in the performance of the Company in financial 2016. The underlying loss in the second half of financial 2015, before any costs associated with the Strategic Review, is expected to be broadly in line with the first half."

Balance Sheet review

The review of the Company's Balance Sheet is not complete and, when completed, will be subject to review by the Company's auditors. As previously announced, total restructuring costs, including redundancies and distribution centre closures, are estimated to result in a one-off cost of $6-7 million during calendar year 2015.

Whilst the Strategic Review is ongoing, internal assessments to date indicate the restructure may give rise to write downs of assets and incurrence of provisions of up to $18 million in the second half. This will be largely non-cash in nature and results from the initiatives announced with the Strategic Review, including:

- Changes in the Group's stock management processes affecting the carrying value of inventory;
- changes in how the Group utilizes its fixed assets and IT systems post restructure;
- the exit of the MSS business; and
- a review of provisions in connection with these activities.

A further update will be provided with the announcement of the full year results for the year ended 30 June 2015.

For further information, please contact:
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