Coventry Group Ltd

ABN 37 008 670 102

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2015 FULL YEAR RESULTS

Coventry Group Ltd (ASX:CYG) today announced its financial results for the 12 months ended 30 June 2015

Highlights

- Refreshed governance structure
- Comprehensive strategic review undertaken and restructure underway
- Operating costs reduced by $7m per annum
- Net loss before restructure and other associated costs, finance and tax of $6.4m
- Net loss after restructure costs and tax of $24.6m, including Group-wide restructure and other associated costs of $23.5m before tax
- $8.7m net cash position as at 30 June 2015
- Value of underlying assets reset
- NTA of $2.16 per share
- 2.5 cents per share fully franked final dividend declared

Group financial results

During the year ended 30 June 2015, a Group-wide strategic review was undertaken and restructure initiated to remove costs and increase efficiency. The Group recorded a net loss after income tax of $24.6 million (2014 $1.0 million profit). This result included Group-wide restructure and other associated costs of $23.5 million before tax.

Restructure update

During the year, the Group refreshed its governance structure appointing a new Non-Executive Chairman, a new Managing Director and two new Non-Executive Directors. The new leadership assessed the need for the Group restructure, which was announced to the market in February 2015.

Through a series of initiatives undertaken since February 2015, $7 million p.a. of costs have been removed from the business. An additional $4 million p.a. of savings are expected to be achieved by the end of FY2016 through operational improvements that are now underway. Greater efficiency will be derived from continued reconfiguration and relocation of Konnect branches, roll out of an improved inventory management system, and consolidation of back office functions.

CEO and Managing Director, Peter Caughey, commented: “As projected in February 2015, the Group has delivered $7m p.a. of cost reductions. The next stage of the restructure is progressing well and we are confident that these initiatives will lead to a significant turnaround in the performance of the company.”

Balance Sheet

During the year the business funded the restructure and returned surplus cash to shareholders. In conjunction with the trading losses incurred this resulted in the Group's net cash position falling to $8.7 million (2014 $48.0 million), which was in line with the target for 30 June 2015.

The restructure also resulted in a substantial write-down of assets, including obsolete inventory, IT assets and pre-consolidation deferred tax assets. This has effectively reset the value of underlying assets for the Group. Group net tangible assets at 30 June 2015 was $2.16 per share, compared with $3.47 per share the previous year.

Dividends

The Board has determined to declare a fully franked final dividend of 2.5 cents per share with a record date of 13 October 2015 and a payment date of 27 October 2015. This decision reflects the Company's renewed dividend policy to pay the maximum amount that the Company can prudently pay whilst retaining the potential to continue paying franked dividends to shareholders, as announced at the half year results. The total dividend paid to shareholders for the year is 35.25 cents per share fully franked (2014 22.0 cents per share). Throughout this transition period, whilst the company is making losses, the Board has continued to pay dividends on the expectation that the company will return to profitability in 2015/16. As the time to produce profits gets closer, the Board will place much greater emphasis on actual performance, rather than the prospect of profits when considering dividends.

Outlook

Although challenging trading conditions experienced in 2H15 are expected to continue in the coming year, restructured operations will deliver a more efficient distribution model that will reduce the cost-of-doing-business and improve performance.

The restructure program is expected to be completed by the end of 2016. During this time revenue growth initiatives will continue to be ramped up and will become the primary focus from 2017 onwards.

CEO and Managing Director, Peter Caughey, commented: "We are confident that the Group will return to operating profitability during financial year 2016, assuming no material change in general economic conditions."

For further information, please contact:

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