

COVENTRY GROUP LIMITED
AGM Chairman's & CEO Address
27 October 2015

Good morning ladies and gentlemen and welcome to the 79th Annual General Meeting of Coventry Group Ltd.

My name is Neil Cathie and I am the Chairman of your Board and this meeting

I would like to introduce the members of the board Ken Perry, Nick Willis, Peter Caughey (MD & CEO) and Vicky Papachristos. Peter and Vicky are new to the board since the last AGM and Nick and I have just celebrated the first anniversary of joining the board. Peter, as most know, was appointed Managing Director and CEO on 1 January 2015 following the handover of management responsibilities from Roger Flynn and Vicky was appointed to fill a casual vacancy following the retirement of Barry Nazer.

My Chairman's report is contained in the 2015 Annual Report and I don't intend to repeat that content here. There is much to be done as I state in my report. That said, we do not intend to stay fixated with the past as we, the board and management, set about re-shaping the Company and restoring profitability.

I will now hand over to our CEO Peter Caughey who talk to the F2015 results and provide an update on current initiatives, trading and outlook.

2015 ANNUAL GENERAL MEETING

**PETER CAUGHEY
CEO & MANAGING DIRECTOR**

27 OCTOBER 2015



Coventry Group Ltd

FY15 Year in Review

COMPREHENSIVE STRATEGIC REVIEW UNDERTAKEN

1. Refreshed governance – new leadership
2. Restructure underway
3. Net loss before restructure and other associated costs, finance and tax of \$6.4m
4. Net loss after restructure costs and tax of \$24.6m
5. Reset capital structure (surplus cash distributed, asset write down)

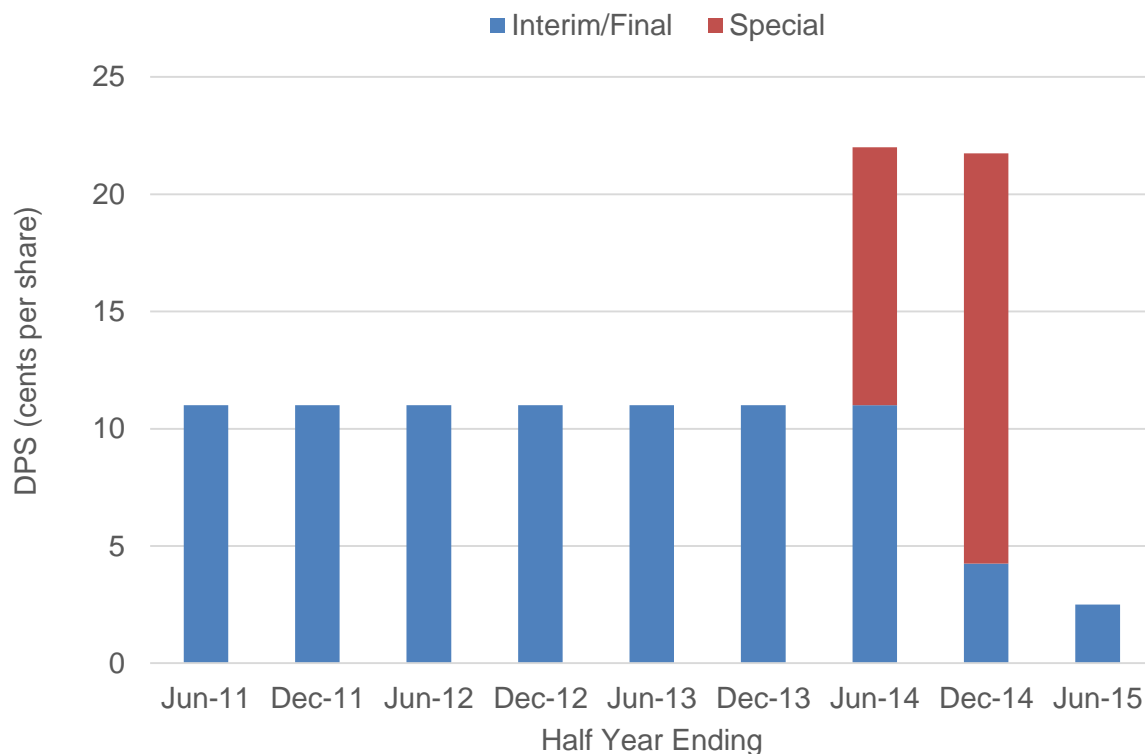
FY15 Financial summary

GROUP WIDE INITIATIVES IMPLEMENTED TO REMOVE COSTS

(\$m)	FY14	FY15	% change
Revenue from sale of goods & services	206.2	190.7	-7.5%
EBIT (before restructuring and other related costs)	-0.0	-6.4	NM
Profit/(loss) after tax	1.0	-24.6	NM
Net cash	48.0	8.7	NM
Earnings per share (cents)	1.6	-65.8	NM
Dividend per share (cents)	22.00	35.25	+60.2%
Net Tangible Assets per share (\$)	3.47	2.16	-37.8%

Dividends

DIVIDEND POLICY RESET



- **\$10.9m surplus capital returned to shareholders since July 2014**
- **Future dividends greater emphasis on actual performance, rather than prospect of profits**

Restructure well advanced

\$7M COSTS P.A. REMOVED
ADDITIONAL \$4M SAVINGS P.A. BY END FY16

ACHIEVED

- ✓ >100 positions removed
- ✓ Distribution centres closed
- ✓ Artia supply chain fully rationalised into Konnect
- ✓ Artia focussed distribution centres closed
- ✓ Import program maturing
- ✓ MSS exited
- ✓ Inventory cleansing complete

UNDERWAY

1. Konnect branch reconfiguration, relocation and refurbishment
2. Warehouse management system to be implemented by June 2016
3. Targeting \$6m reduction in inventory by the June 2016
4. Simplification and consolidation of back office functions
5. Branch expansion

Plan for the future

COMPETITIVE COST-OF-DOING BUSINESS AND IMPROVED FINANCIAL PERFORMANCE

PORTFOLIO	CAPITAL STRUCTURE	OPERATING MODEL	GROWTH
<ul style="list-style-type: none">▪ Exited MSS▪ Previously exited furniture	<ul style="list-style-type: none">▪ Surplus cash returned to shareholders▪ Value of underlying assets reset▪ Net cash	<ul style="list-style-type: none">▪ Efficient distribution model▪ Lean overheads	<ul style="list-style-type: none">▪ New locations▪ New products▪ New channels▪ CIP program

Konnect

CONTINUING TO BUILD A STRONG FOUNDATION FOR GROWTH

- Decreased employee numbers and centralised many functions
- Reinvested in new sales channels (telesales, online, wholesale)
- Transport savings beginning to flow
- Business now better able to withstand challenging market conditions, but still fragile
- Welshpool distribution centre closing November 2016
- 6 stores opened since July 2014
- Investing in training

Artia

SIGNIFICANT IMPROVEMENT IN EARNINGS DRIVEN BY RESTRUCTURE INITIATIVES

- Exited unprofitable “furniture” category
- Range enhancements
- Continuing products growing
- Cost rationalisation and integration into Konnect supply chain
- Now profitable YTD
- Positive contributor to Group earnings

Cooper Fluid Systems

**CONTINUES TO BE PROFITABLE
DESPITE MINING SECTOR CONTRACTION**

- **Strong leadership**
- **Highly competitive market**
- **Increased focus on repairs & maintenance and non-capital offering**
- **New business lines**
- **Growing own brand products – ‘Coopers Built’ range**
- **New branches**
- **Dual branches with Konnect operating well**

Gaskets

TRADING CONSISTENTLY

- Consolidated market share as key competitor closed
- Cheap imports and warranty extensions a challenge
- Owned 72.5% by Coventry

Corporate

SIGNIFICANT OPPORTUNITY TO REDUCE COST STRUCTURE

- Limited number of roles eliminated and duplicated processes removed as part of business unit restructure
- Comprehensive review of corporate underway to be completed in December 2015
- Action plan to be implemented by June 2016
- Expected to deliver material reduction in corporate costs when implemented

Outlook – FY16

REITERATE GUIDANCE THAT GROUP EXPECTED TO RETURN TO OPERATING PROFITABILITY DURING FY16

- 1Q broadly tracking to plan
- All businesses making a positive contribution (pre-corporate)
- Current trading conditions across all businesses expected to remain throughout FY16
- Restructure program to be completed by the end of 2016
- Revenue growth initiatives to become the primary focus

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For more information, please contact:

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