Investor Presentation

Half Year Results to 31 December 2016

24 February 2017

PETER CAUGHEY, CEO & MANAGING DIRECTOR

Coventry Group Ltd

Agenda

Overview

Financials

Business conditions, strategy and outlook

Overview

- **1H17 has been a set-back – with varied results across divisions and geographies**
  - Australian Trade Distribution revenues down sharply in some geographical regions
  - AA Gaskets had best period ever
  - Coopers continues to contribute positively
- **As a consequence Group financial performance has deteriorated**
  - Sales -8% to $85.3m ($92.1m pcp)
  - Underlying EBITDA -$3.9m ($1.2m pcp)
  - Underlying NPAT -$6.4m (-$0.1m pcp)
  - Significant items -$1.0m (-$0.9m pcp)
  - Reported NPAT of -$22.2m (after $7.9m of impairments and $6.9m de-recognition of DTA – tax losses)
- **No interim dividend declared**

pcp = Prior Corresponding Period, first half 2016

Coventry's business segments

1

Trade Distribution

KONNECT

The largest specialty fastener distributor in Australia and New Zealand

artia

Niche supplier of hardware to the kitchen & cabinet maker industry

2

COOPER FLUID SYSTEMS

Supplier of spare parts, workshop and on-site services to the mining & related industries

3

aa gaskets

72.5% investment in the leader in specialised gaskets for the auto aftermarket sector

Building the platform for growth

- 18 months into the turnaround
- Restructuring of the business is largely complete
  - Operational improvements have been made
  - More improvements to come in Supply Chain
- Strengthened management team
  - New CFO (Robert Bulluss)
  - New GM of AA Gaskets (Jim Conway)
- Well positioned to deliver improvements with an improvement in the mining and engineering sectors

2017 results reflect a business in transition

- Q1 performance was very poor and unanticipated
- Q2 showed an improving trend
- **Q3 has commenced positively and reflects improving industry dynamics**

→ It is too early to call the "bottom of the cycle"

Group – financial summary

($m)	1H FY16	1H FY17	% change
Revenue from sale of goods	92.1	85.3	-7.5
Underlying EBITDA	1.2	-3.9	n/m
Underlying EBIT	-0.4	-5.7	n/m
Underlying NPAT	-0.2	-6.4	n/m
Significant Items	-0.9	-1.0	10.0%
Impairments	-0.0	-7.9	n/m
Reported NPAT	-1.0	-22.2	n/m
Net cash	5.2	5.3	1.5%
Net Tangible Assets per share ($)	2.03	1.69	-20.1%

- **Sales reduction of 7.5% to $85.2m**
- **Underlying NPAT of -$5.7m**
- **$7.9m of non-cash impairments**
- **$6.9m de-recognition of Deferred Tax Assets**
- **NTA per share still trading at a significant premium to share price**

n/m = not meaningful

Financials

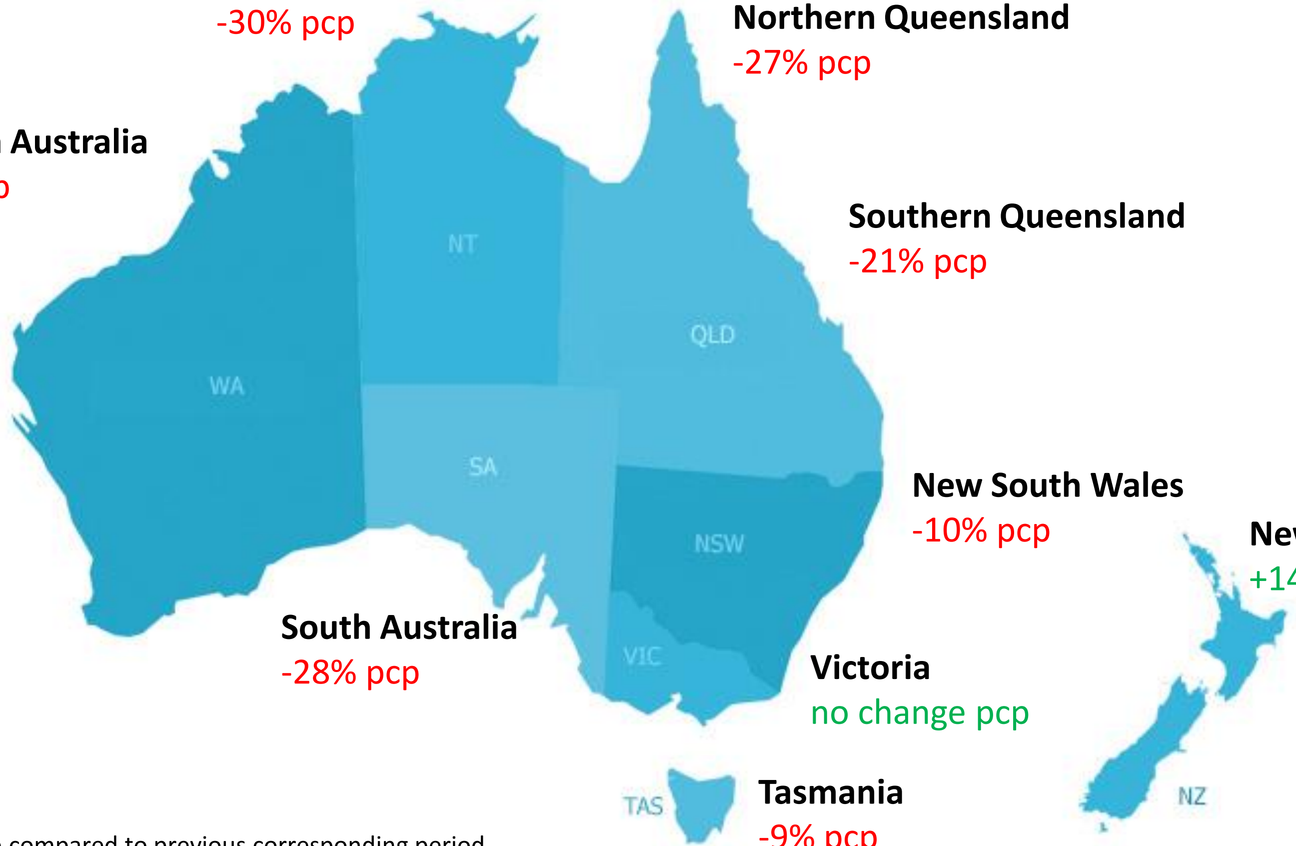
Coventry Group

Trade Distribution

($m)	1H FY16	1H FY17	% change
Revenue	57.8	51.2	-13%
EBIT	0.1	-8.7	n/m

- **1HFY17 results disappointing, impacted largely by mining sector weakness**
  – Results have varied significantly from quarter to quarter with some areas performing better in Q2
  – Buoyant construction sector has offset some mining sector weaknesses
- **Trade Distribution's geographic and market segments have fundamental differences**
  – Western Australia, North Queensland, South Australia and Northern Territory were the weakest
  – New Zealand continues to trade strongly with new sites planned
  – Southern Queensland, NSW and Tasmania are showing signs of improvement in Q2
  – Victoria remains flat

Trade Distribution had some disappointing revenue outcomes across the network in Q1



Northern Territory
-30% pcp

Northern Queensland
-27% pcp

Western Australia
-41% pcp

Southern Queensland
-21% pcp

New South Wales
-10% pcp

New Zealand
+14% pcp

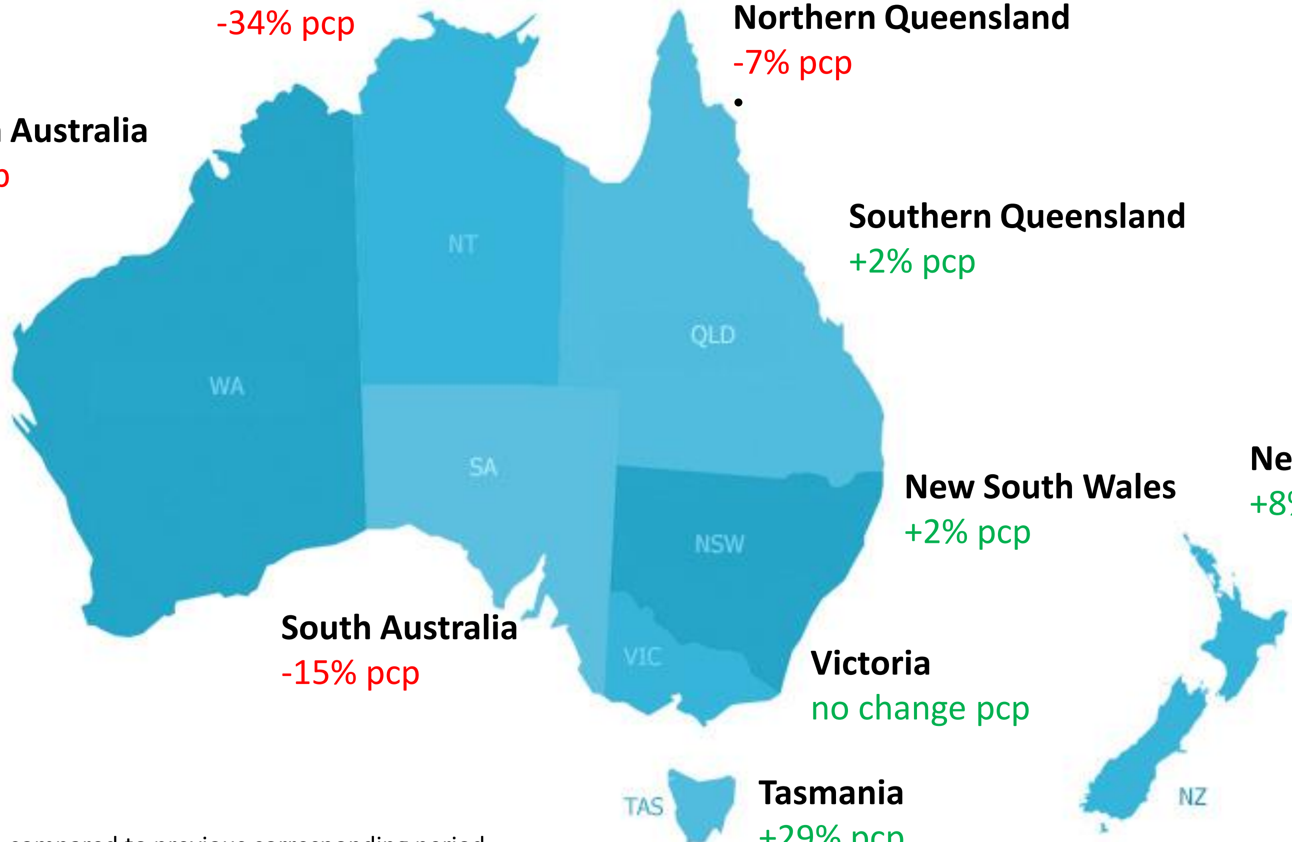
South Australia
-28% pcp

Victoria
no change pcp

Tasmania
-9% pcp

Changes in revenue compared to previous corresponding period

Trade Distribution is showing signs of revenue improvement in Q2 in some regions



Northern Territory
-34% pcp

Northern Queensland
-7% pcp

Western Australia
-50% pcp

Southern Queensland
+2% pcp

New South Wales
+2% pcp

New Zealand
+8% pcp

South Australia
-15% pcp

Victoria
no change pcp

Tasmania
+29% pcp

Changes in revenue compared to previous corresponding period

Coopers

($m)	1H FY16	1H FY17	% change
Revenue	27.7	25.6	-8%
EBIT	1.7	1.1	-34%

- **Coopers has remained profitable despite mining sector weakness**
- **Continue to invest in hydraulic servicing capability and software to assist in management of our workshops and customers' mobile plant**
- **It is well positioned for a re-bound in mining activity**

AA Gaskets [1]

($m)	1H FY16	1H FY17	% change
Revenue	7.5	9.1	21%
EBIT	1.3	2.0	52%

- **AA Gaskets (72.5% owned) is performing strongly**
- **Now servicing all of the major customers in the industry**
- **Continues to show improvement and provide diversified value to the Group**

(1) Coventry owns 72.5% of AA Gaskets

Corporate

($m)	1H FY16	1H FY17	% change
Property Operations (net)	-0.3	-0.3	0%
Head office expenses	4.8	4.7	-2%
EBIT	-4.5	-4.4	-2%

- **Head office provides centralised support services to the Group**
  - Ongoing program to assess and reduce expenses
- **Corporate costs include property operations**
  - Sub-rental agreements with third parties at Redcliffe, Perth

Cash flow

($m)	1H FY16	1H FY17
Net cash from operating activities	-0.3	-6.6
Net cash from investing activities	-2.7	-1.5
Net cash used in financing activities	-1.2	9.9
Net (decrease)/increase in cash and cash equivalents	-4.2	1.8
Cash and cash equivalents	**5.2**	**5.3**

- Cash balance of $5.3m
- Investing activity fell following the completion of the restructuring program
- Financing relates to $10m debtor finance facility introduced to provide short-term working capital and is backed by the Group's high quality Accounts Receivable book. Replaces the $3m ANZ facility previously in place

Balance sheet

($m)	Jun-16	Dec-16
Cash & cash equivalents	3.5	5.3
Inventories	57.4	55.9
Trade and other receivables	30.8	29.8
Other non-current assets	0.0	0.0
Total current assets	**91.7**	**91.1**
Property, Plant & Equipment	16.0	9.1
Intangible assets	5.1	3.7
Deferred tax assets	16.1	8.9
Non-current assets	**37.2**	**22.0**
Total assets	**128.9**	**113.0**
Trade and other payables	21.8	17.8
Debtor finance facility	0.0	10.0
Other liabilities	8.9	8.4
Total Liabilities	**30.7**	**36.2**
Net Assets	**98.2**	**76.8**
Issued capital	108.1	108.1
Retained earnings & reserves	-11.9	-33.5
Non-controlling interest	2.0	2.3
Total equity	**98.2**	**76.8**
NTA per share (cents)	2.03	1.69

- **NTA of $1.69 per share remains at a significant premium to the CYG share price**
- **$7.9m asset impairments have reduced NTA by $0.16 per share**
- **Inventory review to be undertaken in the second half**
  - To ensure that inventory continues to be valued appropriately and in line with Australian Accounting Standards

Balance sheet impairments

$7.9m asset impairments are non-cash items

- **$2.1m in fixtures and fittings associated with a leased Perth warehouse**
  - Leased by CGL for 20 years (single term) from 2007
  - Sublease to a third party expires on 31 October 2017 (current revenue $1.3m p.a.)
  - CGL has had no need for this site since the sale of Covs Auto parts and continues to search for a new tenant without success
- **$3.5m in fixtures and fittings across the branch network**
- **$2.3m in intangibles**

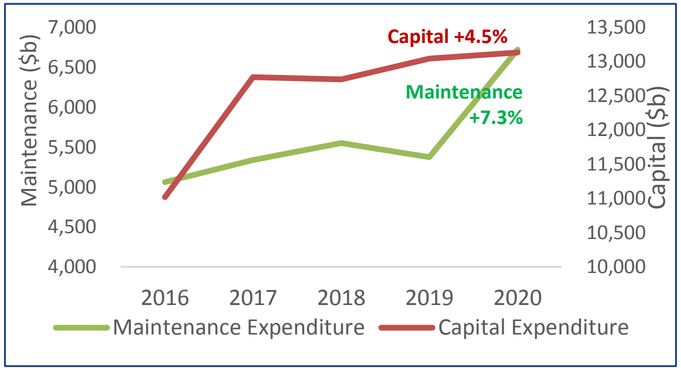
- **The board has reviewed the carrying value of the deferred tax asset (DTA) under Australian Accounting Standards**
- **Determined to de-recognise $6.9m of the DTA**
- **No further increase in the DTA will be booked at this time**
- **No impact on net tangible asset backing**

Business conditions, strategy and outlook

Coventry Group

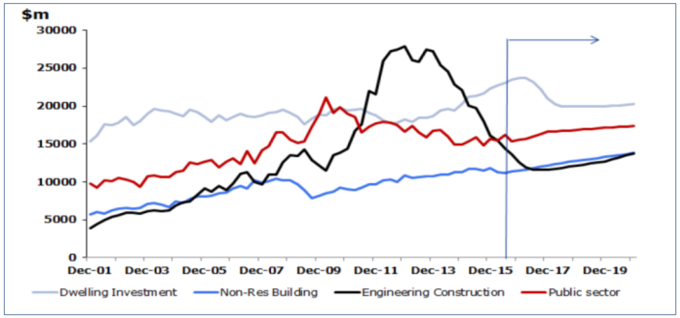
Business conditions appear to be improving

- **Mining sector and associated industries the most material component of the Group's customers**
  - 75% of Top 50 customers are exposed to mining
  - Spending in the mining sector (maintenance and capital) appears to be recovering
  - Customer inquiry activity has begun to increase



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

- **Construction is a secondary and growing market**
  - Represents a small proportion of CYG sales
  - Growing this segment is an important undertaking as it serves to diversify the group away from mining



Source: ABS, Goldman Sachs Global Investment Research

Restructure update

- **Strategy review completed in February 2017**
  - No fundamental change to strategy
- **Scale and diversification of markets remains the largest determinants of success for Trade Distribution**
- **Benefits from the restructuring program are being achieved – but reduction in sales means the financial effects are 12 months behind plan**
- **In response to the downturn, management implemented a Profit Improvement Program**
- **Key focus is to improve the customer value proposition by improving;**
  - People, IT systems, Locations and Overheads
- **Objective is now to increase sales profitably**
  - Category Management team now complete and ready to contribute to increased sales

Store footprint optimisation

- **Underperforming stores to be fixed or closed**
- **Branch expansion strategy continues to be reviewed:**
  - **Australian** expansion on hold until business conditions improve
  - **New Zealand** has opportunities to continue to expand in the short term

Outlook

- **Trading in the third quarter (to date) is encouraging**
  - Sales and margins are both above last year
- **Core focus is on improving sales in Australian Trade Distribution**
  - Multiple internal initiatives underway
  - Improving mining and construction markets will assist
- **The PIP is expected to reduce costs and improve profitability in the second half of 2017**

2017 Outlook

- **With such unexpected and severe gyrations throughout 2016, it is difficult to provide shareholders an outlook with any high degree of confidence**

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For more information, please contact:
Peter Caughey
CEO and Managing Director, Coventry Group Ltd - (03) 9205 8223