

# 1H16 RESULTS

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**Coventry Group Ltd**

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# 1H16 Overview

- **Restructure continuing**
  - Distribution Centre rationalisation program completed
  - Organisational structure refreshed and streamlined
  - CGL support services now Melbourne based
  - Changes to pricing, purchasing, freight and warehouse management are ongoing
  - More opportunity for systems improvement and lowering the cost of doing business
  - Sales growth, especially in Trade Distribution, a key focus
- **Group EBITDA now positive**
- **Net loss after tax of \$0.8m (\$3.3m loss in 1H15)**
- **\$5.2m net cash position as at 31 December 2015**
- **No interim dividend declared**
  - Board placing greater emphasis on actual Company performance when considering dividends

# Group – financial summary

(\$m)	1H15	1H16	% change
Revenue from Sale of Goods	99.6	92.1	-7.5%
EBITDA	(2.4)	0.3	+112.5%
Net Loss Before Income Tax	(4.1)	(1.1)	+73.2%
Net Loss After Tax	(3.3)	(0.8)	+75.8%
Net Cash	15.4	5.2	-66.2%
Interim Dividend per Share (cents)	4.25	0	N/A
Net Tangible Assets per Share (\$)	3.20	2.09	-34.7%

# Restructure update

## Expectations for FY16 (at FY15 results):

- **Additional \$4m savings p.a. by end FY16**
- **New warehouse management system to be implemented by June 2016**
- **Reconfiguration, relocation and refurbishments of Konnect branches**
- **Targeting a \$6m reduction in inventory by the end of FY16**
- **Substantial simplification of process and consolidation of back office functions**
- **Re-organisation into 'One CGL'**

## Achievements for 1H16:

- ✓ **3 new Konnect branch openings**
- ✓ **Outbound call centre established**
- ✓ **Completion of 3 year rationalisation program during the half with distribution centres consolidated from 14 to 4**
- ✓ **Branch refurbishments largely complete**
- ✓ **Warehouse management system roll out on track - 2 of 4 distribution centres completed**
- ✓ **Management have set clear targets to achieve target inventory reduction in the second half**
- ✓ **Support function now largely Melbourne based**

# Coventry's products

## Konnect

*The largest specialty fastener distributor in Australia and New Zealand*



## Artia

*Niche supplier of hardware to the kitchen & cabinet maker industry*



## Cooper Fluid Systems

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



## Gaskets (72.5% owned)

*Market leader in specialised gaskets for the spare parts auto sector*



# Trade Distribution (Konnect/Artia)

(\$m)	1H15	1H16	% change
Revenue	61.8	57.8	-6.5%
Contribution	(1.7)	0.1	105.9%

- **Konnect and Artia are now fully integrated**
- **Trade Distribution now making a positive contribution**
- **Division remains the focus of restructure initiatives**
  - Organisational changes to drive sales completed just prior to Christmas
  - New products developed
  - New branches opened
- **Turnaround is well entrenched and a foundation that can be built upon**
  - Distribution centre relocations and closures completed December 2015
  - Sales growth is focus

# Cooper Fluid Systems

(\$m)	1H15	1H16	% change
Revenue	31.4	27.7	-11.8%
Contribution	1.8	1.7	-5.6%

- Business continues to be profitable, defying mining services trends
- Continue to focus on growing niche service capability
- Negative sales offset by strict cost control

## Gaskets (Investment, 72.5% owned)

(\$m)	1H15	1H16	% change
Revenue	7.3	7.5	2.7%
EBIT	1.2	1.3	8.3%

- **Solid EBIT performance**
- **Repco secured as a new customer**
  - Supply commenced in January 2016
  - Now supply top 5 automotive distributors in Australia
- **AA Gaskets have agreed to sell land and buildings in Campbellfield for \$3.9m**
  - Sale expected to complete 30 March 2016
  - 5 year lease term (2 x 5 year extension options)



# Corporate

(\$m)	1H15	1H16	% change
Revenue	1.2	1.3	8.3%
Net Corporate Expenses	-4.8	-4.3	10.4%

- **Revenue is sourced from rental paid by third parties at Redcliffe, Perth**
  - Sub-tenant leases expire in 2017, however, head lease expires in 2027
  - Initiatives underway to source new sub-tenants
- **Net corporate expenses down 10.4%**
  - Beginning to realise first full year of savings from restructure initiatives
  - More opportunities exist for further cost reduction

# Balance sheet

(\$m)	Jun-15	Dec-15
Cash & cash equivalents	8.7	5.2
Term deposits	-	-
Trade and other receivables	31.7	31.1
Inventories	59.3	59.1
Other current assets	0.1	1.9
<b>Total current assets</b>	<b>99.8</b>	<b>97.3</b>
Deferred tax assets	13.4	14.2
Property, Plant & Equipment	16.8	15.4
Intangible assets	4.0	4.6
Other	0.1	0.1
<b>Non-current assets</b>	<b>34.3</b>	<b>34.3</b>
<b>Total assets</b>	<b>134.1</b>	<b>131.6</b>
<b>Total liabilities</b>	<b>32.4</b>	<b>31.3</b>
Share capital	108.1	108.1
Retained earnings & reserves	-9.0	-10.3
Non-controlling interest	2.6	2.6
<b>Total equity</b>	<b>101.7</b>	<b>100.4</b>

- **Balance sheet reset at June 2015 following significant restructure initiatives**
- **Workable net cash position retained**
- **Import program peaked in 1H16**
  - Management confident of achieving target inventory reduction in the second half
- **Retained earnings impacted by losses and dividend payments**

# Subsequent Events

- Board is very sad to announce the passing of Gaskets GM, Kerry Lee
- Kerry made a significant contribution to Coventry during his 25 years with the Group
- More recently, he secured Repco as a new customer and negotiated the Gaskets property sale agreement
- CGL CEO overseeing Coventry's interest in Gaskets in the interim

# Outlook

- **Restructure program expected to be completed by the end of 2016**
- **Restructured operations will deliver a more efficient distribution model that improves the Group's service, sales, and cost-of-doing-business**
- **Revenue initiatives are the primary focus**
  - New product, channels, branches across all divisions
- **Expect the Group to return to operating profitability during FY16 assuming no material change in general economic conditions**

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