

COVENTRY GROUP LTD

AGM – CHAIRMAN’S AND CEO’S ADDRESSES

28 OCTOBER 2016

Good morning ladies and gentlemen and welcome to the 80th Annual General Meeting of Coventry Group Ltd.

My name is Neil Cathie and I am the Chairman of your Board and this meeting. Welcome to our Thomastown site where we house the largest of our Trade distribution centres.

I would now like to introduce the members of the board Ken Perry, Nick Willis, Peter Caughey (MD & CEO) and Vicky Papachristos. Our company secretary is Chris Lloyd.

My Chairman’s report is contained in the 2016 Annual Report and I don’t intend to repeat that content here. It is more important that you all hear from Peter who will provide an overview of the current state of the business and the progress that has been made with its turn around. There is still much to be done as I state in my report.

To provide some additional narrative around the Annual Report and an update on current initiatives, trading and outlook, I will now hand over to Peter Caughey.

2016 ANNUAL GENERAL MEETING



Coventry Group Ltd

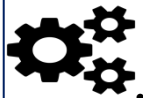
28 October 2016

PETER CAUGHEY, CEO & MANAGING DIRECTOR

FY16 Overview

Significant operational improvements have been delivered – but much remains to be done.

Key achievements in FY16



Operations

- Record contribution from AA Gaskets
- Positive contribution from Trade Distribution in NZ
- Coopers profitable in very tough market
- Successfully opened 11 new stores
- Cost reductions of \$7m.



Restructure

- Phase 1 nearing completion and delivering expected cost benefits
- Phase 2 (F17 Profit Improvement Plan)
 - Commenced September 2017
 - Improve efficiency
 - Reduce cost



Personnel

- New sales management structure implemented



Financial

- Underlying EBITDA close to break-even

- **General market remains the key challenge**
 - Engineering & mining sectors are contracting, putting pressure on top-line sales
- **Phase 1 restructure initiatives (announced Feb 2015) have reduced costs, improved efficiency and maintained competitiveness.**
 - Execution has taken longer than expected.

Phase 1: restructuring program

All restructure initiatives are now delivering operational and financial benefits.

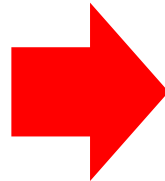
Area	Initiatives completed	Benefits
Trade Distribution	<ul style="list-style-type: none"> Logistics structure ratioanalised Improved DIFOT New store openings New category management team 	<ul style="list-style-type: none"> Material cost reductions has maintained competitiveness More efficient platform from which to leverage revenue growth
AA Gaskets	<ul style="list-style-type: none"> Office sale and leaseback 	<ul style="list-style-type: none"> \$2.0m cash received Record contribution received
Corporate	<ul style="list-style-type: none"> Relocated finance team Leased Perth office 	<ul style="list-style-type: none"> \$1.2m reduced costs
Inventory	<ul style="list-style-type: none"> Reductions across the Group 	<ul style="list-style-type: none"> \$3m reduction
Capex	<ul style="list-style-type: none"> Warehouse Management System (WMS) Expand Cooper's capabilities 11 new Konnect stores 	<ul style="list-style-type: none"> Significantly lower cost base No significant capex required in FY17/18

* DIFOT – Delivered In Full and On Time

Phase 2: Profit Improvement Plan

In FY17, Coventry has now accelerated initiatives to improve profit.

- **Response to continued softening conditions**
- **Many new initiatives are already underway in the business**
- **Attacking corporate overheads**



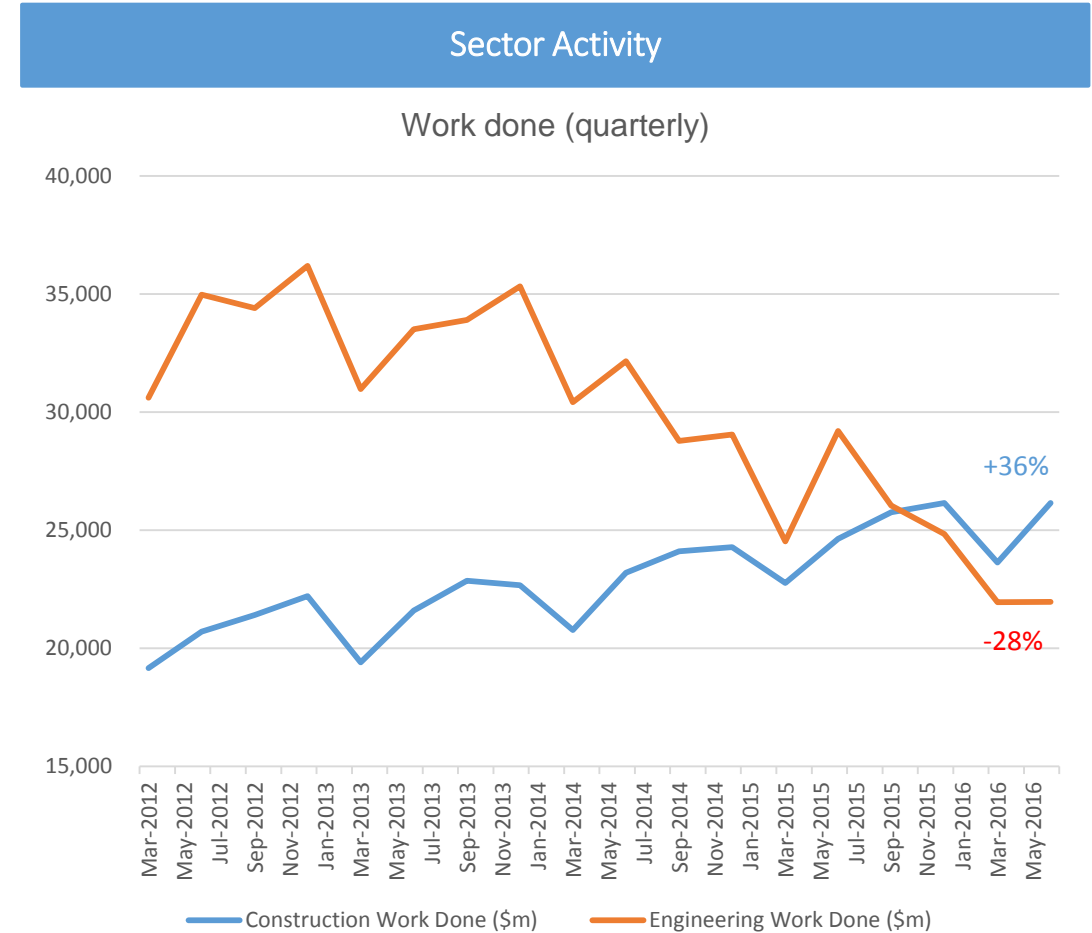
Ongoing initiatives

1. Category Management team to drive sales and volume
2. Fix/rationalise underperforming branches
3. Prudently expand the store footprint
4. Enhance existing IT platform to provide better tools for timely and informed decision making such as Complexica®
5. Ongoing Continuous Improvement Program
6. Continuing review of corporate structure and costs
7. China Hub (benefits in inventory and cost)
8. Continued inventory reduction (needs to accelerate)

Outlook

Focus remains on building a robust business to deliver sustainable returns for shareholders.

- ➔ **Trading conditions remain very challenging**
 - Sales down 12% in 1QF17.
- ➔ **Taking longer than anticipated to reposition the business to building/construction sector**
 - Significant business remains derived from the engineering/mining sectors
- ➔ **Despite cost reductions achieved and planned, Coventry is unlikely to deliver a full year profit in F17**
- ➔ **Payment of dividends remains dependent upon sustained profitability for the Group**



Source: Australian Bureau of Statistics

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