



ASX RELEASE

25 August 2016

2016 Full Year Results

Coventry Group Ltd

Highlights

- **Improved fourth quarter operating results (positive EBITDA & cash flow)**
- **Restructuring program to be completed by December 2016**
- **Underlying EBITDA +\$0.1m (-\$2.3m in FY15)**
- **Statutory net loss after tax of -\$1.8m (significant improvement from -\$24.6m loss in FY15)**
- **Business headwinds continue in mining and engineering sectors leading to increased focus on growing in more profitable building and construction sectors**
- **Restructuring benefits emerging in FY17 are to be enhanced through Continuous Improvement Program across the Group**

Group financial results

During the year ended 30 June 2016, Coventry Group Ltd (ASX: CYG) continued its turnaround through its formal restructuring program. The Group recorded a statutory net loss after tax of \$1.8m, significantly improved on the \$24.6m loss in FY15. This included restructuring and other associated one-off costs of \$1.9m before tax (\$21.4m in FY15).

Restructure program update

During the year, a number of targeted restructuring initiatives have been completed, including:

- Closure of 9 distribution centres;
- Operational merger of Konnect and Artia into Trade Distribution;
- Completion of the Warehouse Management System roll-out;
- Relocation of head-office functions to Melbourne; and
- Establishment of professional category management capability.

CEO and Managing Director, Peter Caughey, commented "With most major milestones already complete, the formal restructuring program will conclude by December 2016 as planned. Improvements have been achieved in all the targeted areas but they have not been reached at the anticipated rate. The full benefits are now expected to be realised by the end of FY17."

Divisional performance

Trade Distribution reported significantly improved performance, supported by the roll-out of 11 new stores during FY16 and operational cost reductions. However, the overall market has softened resulting in a contraction in sales and underlying losses of -\$1.0m in FY16. The Fluids business continues to be profitable and recorded a 34% improvement in underlying EBIT to \$2.8m in FY16, despite the mining services sector contraction. Gaskets contributed a record \$4.9m EBIT in FY16, which includes \$2.0m profit from the sale and leaseback of its property.

Balance sheet

The Group's net cash position was \$3.5m as at 30 June 2016 (\$8.7m as at 30 June 2015). Resultant Group net tangible assets was \$2.03 per share (\$2.16 in FY15).

Dividends

No final dividend has been declared for FY16, as a result of the statutory loss reported for the year. The Board continues its focus on actual Company performance and the financial position of the Company in determining dividends.

Outlook

The mining and engineering markets in which Coventry primarily operates remain variable. Coventry continues to increase its focus on growing markets, such as building and construction. This is supported by the restructuring program which will deliver a more efficient distribution model that improves Coventry's service and cost-of-doing business. Sales growth is now the primary focus for Trade Distribution, including a commitment to expanding the store footprint in favourable locations to capitalise on the scalability benefits of the business model.

CEO and Managing Director, Peter Caughey, commented "We look forward to completion of the restructuring program in December 2016. This will enable the Group to realise the full benefits by the end of FY17. Supporting the new business culture, we have embedded a Continuous Improvement Program across the Group. This will ensure the business continues to become more efficient and promotes a simple single system of doing lower cost business with our customers."

For further information, please contact:

Peter Caughey

CEO and Managing Director Coventry Group Ltd - (03) 9205 8215