FY15 RESULTS

27 AUGUST 2015

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Coventry Group Ltd

FY15 Overview

- **Refreshed governance structure**
  - Executive Chair retired and role split into Non-Executive Chair and CEO
  - New Non-Executive Chairman, CEO and Non-Executive Directors appointed
- **Comprehensive strategic review undertaken and restructure underway**
  - Initiatives to date expected to reduce operating costs by $7m per annum
  - $7.8m cash costs incurred to date
- **Net loss before restructure and other associated costs, finance and tax of $6.4m**
- **Net loss after restructure costs and tax of $24.6m**
  - Group-wide restructure and other associated costs $23.5m before tax
  - Substantial write down of under utilised assets
- **$8.7m net cash position as at 30 June 2015**
- **Value of underlying assets reset**
  - NTA of $2.16 per share
- **2.5 cents fully franked final dividend declared**

Group – financial summary

($m)	FY14	FY15	% change
Revenue from sale of goods (excl discontinued operations)	206.2	190.7	-7.5%
Gross profit from continuing operations	40.6%	38.0%	-2.6%
EBIT (before restructuring and other related costs)	-0.0	-6.4	NM
Profit/(loss) after tax	1.0	-24.6	NM
Net cash	48.0	8.7	NM
Earnings per share (cents)	1.6	-65.8	NM
Dividend per share (cents)	22.00	35.25	+60.2%
Net Tangible Assets per share ($)	3.47	2.16	-37.8%

During FY15, a Strategic Review was undertaken and implemented to remove costs and increase efficiency.

→ This is expected to return the Group to profitability during FY16.

Restructure update

Since Restructure Announcement (9 February):

✓ $7 million costs per annum removed

<u>How this was achieved:</u>

- More than 100 positions removed
- Sydney, Adelaide and Brisbane distribution centres closed
- Artia supply chain fully rationalised into Konnect with Artia focussed distribution centres closed
- Import program has increased fasteners products being directly imported
- IT solutions business, MSS, exited
  – reducing EBITA losses by $2.1m p.a.

Expectations for FY16:

✓ Additional $4 million p.a. savings by end FY16

<u>What is now underway:</u>

- Reconfiguration, relocation and refurbishments of Konnect branches
- New inventory management system to be implemented by June 2016
- Targeting a significant reduction in inventory by the end of FY16
- Substantial simplification of process and consolidation of back office functions
- Re-organisation into 'One CGL'
  - Single systems of operation consistent across CGL

Coventry's products

The largest specialty fastener distributor in Australia and New Zealand

Niche supplier of hardware to the kitchen & cabinet maker industry

Supplier of spare parts, workshop and on-site hydraulic services to the mining industry

(72.5% owned)

Market leader in specialised gaskets for the after-market spare parts auto sector

KONNECT Specialty fasteners

($m)	FY14	FY15	% change
Revenue	112.7	101.0	-10.3%
EBIT (before restructure related costs)	-0.1	-7.5	NM

- **Konnect revenue and margins impacted by challenging market conditions**
  - Rapid change in AUD
  - Declining mining sector spend
  - Weakening infrastructure market
  - Margin compression from increased competition between existing participants
- **Majority of restructure initiatives to date have been focussed on Konnect**
  - Reduced distribution centres by 2 (Sydney, Adelaide)
  - Relocated or refurbished 40 branches – 71% of the Network
  - Decreased employee numbers, including centralising many functions to drive efficiency
  - Reinvested in new sales channels
- **Restructure initiatives in FY15 expected to significantly improve Konnect earnings in FY16**

artia Cabinet hardware

($m)	FY14	FY15	% change
Revenue[1]	15.1	15.7	+3.9%
EBIT (before restructure related costs)[2]	-1.2	0.1	NM

- **Artia is now a profitable business for the first time since 2008**
- **Significant improvement in the business driven by:**
  - Exit from unprofitable “furniture” category
  - Closure of last Distribution Centre (Brisbane)
  - Year-on-year revenue growth for continuing products
  - Range enhancements
  - Cost rationalisation and integration into Konnect supply chain

1. Adjusted to exclude “furniture” sales in FY14 ($2.6m) and FY15 ($0.2m)
2. Adjusted to exclude “furniture” EBIT in FY14 ($0.8m) and FY15 ($0.0m)

Hydraulic design and repair

($m)	FY14	FY15	% change
Revenue	62.9	60.4	-4.0%
EBIT (before restructure related costs)	3.1	2.1	-32.3%

- **Business continues to be profitable, despite challenging mining sector contraction**
  - Increased focus on repairs & maintenance and non-capital offering
- **Continues to grow own brand products – the 'Coopers Built' range**
- **New branches in key areas of Western Australia (Newman) and NSW (Hunter Valley)**
- **Result includes first full year of trading for acquisitions in Toowoomba and St George (Queensland)**

aa gaskets After market auto gaskets (72.5% owned)

($m)	FY14	FY15	% change
Revenue	12.9	13.4	+4.0%
EBIT	2.2	2.1	-4.5%

- **Owned 72.5% by Coventry**
  - 3 minority shareholders hold 27.5%
- **It is managed as a stand-alone investment, with a separate Board**
  - 3 of 4 Directors are nominated by Coventry

Corporate

($m)	FY14	FY15	% change
Revenue	2.4	2.5	4.2%
EBIT (before restructure related costs)	-3.2	-3.1	3.1%

- **Revenue is sourced from rental paid by third parties at Redcliffe, Perth**
  - Sub-tenant leases expire in 2017
  - Coventry head lease expires 2027
  - Initiatives underway to source new sub-tenants
- **Reduction in net corporate expenses required in 2015/16**

Cash flow

($m)	Jun-14	Jun-15	Comment
Net cash from operating activities	5.0	-17.7	Operating losses $6m, inventory growth $4m and $8m restructure cash costs
Net cash from investing activities	0.6	36.3	$39m proceeds from term deposits
Net cash used in financing activities	-8.5	-18.0	$17m of dividends paid
Net (decrease)/increase in cash and cash equivalents	-2.9	0.6	
Cash and cash equivalents (excluding term deposits)	**8.8**	**8.7**	**Cash balance maintained**

- **Substantial funds have been returned to shareholders**
  - $16.6m dividends paid (compared with $8.4 in FY14)
- **Significant investment in the restructure and improving the long-term future of the business**

Balance sheet

- **Balance sheet reflects restructure initiatives:**
  - $2.9m write-off of obsolete inventory
  - $4.7m write-down of Oracle deployment cost
  - $4.0m write-down of Deferred Tax Asset (pre-consolidation tax losses)
- **Inventory temporarily impacted by $4.0m**
  - Planned Konnect transition from local buyer to direct importer
  - Expanded Artia range
- **Group Retained Earnings reduced following payment of dividends and FY15 loss**
  - Parent Company retains positive Retained Earnings of $2.4m as at 30 June 2015
- **Value of underlying assets reset**
  - NTA of $2.16 per share

($m)	Jun-14	Jun-15
Cash & cash equivalents	8.8	8.7
Term deposits	39.2	-
Inventories	55.3	59.3
Other current assets	33.5	31.8
Total current assets	**136.8**	**99.8**
Deferred tax assets	8.2	13.4
Property, Plant & Equipment	19.2	16.8
Intangible assets	9.6	4.0
Non-current assets	**37.0**	**34.3**
Total assets	**173.9**	**134.1**
Total liabilities	**29.0**	**32.4**
Issued capital	108.9	108.1
Retained earnings & reserves	33.2	-9.0
Non-controlling interest	2.7	2.6
Total equity	**144.8**	**101.7**
NTA per share (cents)	3.47	2.16

Outlook

- **Trading conditions across all businesses are expected to be similar to 2H15**
- **Restructured operations will deliver a more efficient distribution model that reduces the cost-of-doing-business**
- **Restructure program to be completed by the end of 2016**
- **Revenue growth initiatives to become the primary focus**
  - Product range and sales channels
- **Based on these initiatives, expect the Group to return to operating profitability during FY16**
  - Assuming no material change in general economic conditions

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