



ASX release

29th August 2017

2017 Full Year Results Coventry Group Ltd

Highlights

- Sales down 4.3% to \$169.1m (\$176.8m FY16)
- Underlying EBIT -\$8.7m (-\$3.2 FY16)
- Reported loss for the year of -\$35.5m (after \$25.0m of significant items – largely non-cash)
- Group sales are up on the previous year May (+5.5%), June (+3.1%), July (+8.9%), August MTD (circa +10.0%)
- Solid working capital position (\$47.5m)
- New management team focused on growth initiatives and sustainable profitable growth
- Revised strategy for TDA aimed at the customer and service excellence
- Successful strategies in TDNZ, CFS and AAG continue to be refined and implemented

Group financial results

Group revenue for the full year was down 4.3% on the previous year, however the improving trend is evidenced when viewed in two halves, with revenue in 2H17 down 0.9% on 2H16. The underlying loss for the financial year was \$8.7m. The underlying loss for 2H17 was \$3.0m compared to an underlying loss for 1H17 of \$5.7m.

The reported loss for the year of \$35.5m includes significant items of \$25.0m which are largely non-cash in nature.

Divisional performance

Trade Distribution (TD)

TD sales were down 10.6% on the prior year for underlying loss of \$5.2m. Underlying loss in 2H17 reduced due to improved margin % and impact of cost reductions despite lower sales.

Trade Distribution Australia (TDA)

TDA sales showed encouraging signs of improvement during May, June, July and August month to date 2017. Daily sales run rates are beginning to improve as the mining and engineering construction sectors rebound and we make material improvements to our service levels.

There has been some consolidation of our branch network in Australia with a small number of branch mergers taking place in order to provide scale benefits and improved service levels. In addition, we closed two small unprofitable branches in Richmond in Victoria and Dubbo in New South Wales.

Trade Distribution New Zealand (TDNZ)

TDNZ performed strongly, with revenue up significantly on last year. TDNZ is the leading fastening systems business in the construction and roofing and cladding markets and has good growth



prospects. In New Zealand new branches have been opened in Mount Maunganui and Timaru and the Hastings and Napier branches have been merged to provide greater scale and service levels.

Cooper Fluid Systems (CFS)

CFS continues to perform strongly. Revenue improved steadily throughout the second half of 2017 driven by the increase in repair and maintenance work in the resources sector. We expect reasonable growth and an improved contribution from CFS in FY18.

AA Gaskets (owned 72.5% by the Group)

AA Gaskets had a record year and continues to consolidate its market position as the leading automotive gasket company in Australia and New Zealand. AA Gaskets has continued its strong revenue growth since securing a major new customer in late 2016.

Balance sheet

Net assets of \$61.6m (30 June 2016: \$98.2m).

The review of the carrying value of the inventory advised in the Half Year results has been completed. Our revised business strategy is focused on directional buying and selling where we will sell a select product range from preferred suppliers. Product and supplier rationalisation will occur as part of the strategy. As a result of the change in strategic direction we have determined that parts of our current inventory range is deemed to be 'non-core'. Management has taken a prudent approach and increased the slow stock provision against the non-core, slow moving and obsolete products. In addition, we have identified further obsolete stock that has been fully provided for and will be disposed of.

Dividends

The board has determined that no final dividend will be paid. Looking ahead the Board will assess the Company's ability to pay dividends against earnings and the financial position of the business.

Outlook

We are confident that with our business strategy for TD Australia will deliver improvements in financial performance throughout FY18 and beyond. Our TD New Zealand, CFS and AA Gaskets business divisions will continue to grow and deliver sustainable profitable growth.

For further information, please contact:

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