FY19 Full Year Results Presentation

August 2019

Delivering innovative industrial solutions and services

Coventry Group Ltd

ASX: CYG

Corporate Snapshot – August 2019

Key Market Metrics

SHARE PRICE 22 August 2019	SHARES ON ISSUE	MARKET CAPITALISATION	NET DEBT 30 June 2019
$0.92	89.7M	$82.5M	$4.1M

PRO-FORMA FY19 REVENUE	ENTERPRISE VALUE	EV / FY19 PRO-FORMA REVENUE
$ 233.8	$86.6M	$0.37x

Substantial Shareholders

Viburnum Funds	Sandon Capital	Spheria Asset Management	Lanyon Asset Management
30.8%	8.1%	6.6%	6.4%

Financial Highlights

Strong FY19 sales growth +20.4% including acquisitions

- Excluding acquisitions FY19 sales growth +7.0% which represents solid organic growth – momentum is building as our value proposition improves.
- The Group delivered record daily sales for June.

Group returns to profitability FY19 EBITDA $2.8m

- $12.5m EBITDA turnaround in two years
- Significant contribution expansion opportunity in Konnect and Artia Australia as growth reduces fixed costs as a percentage of sales.

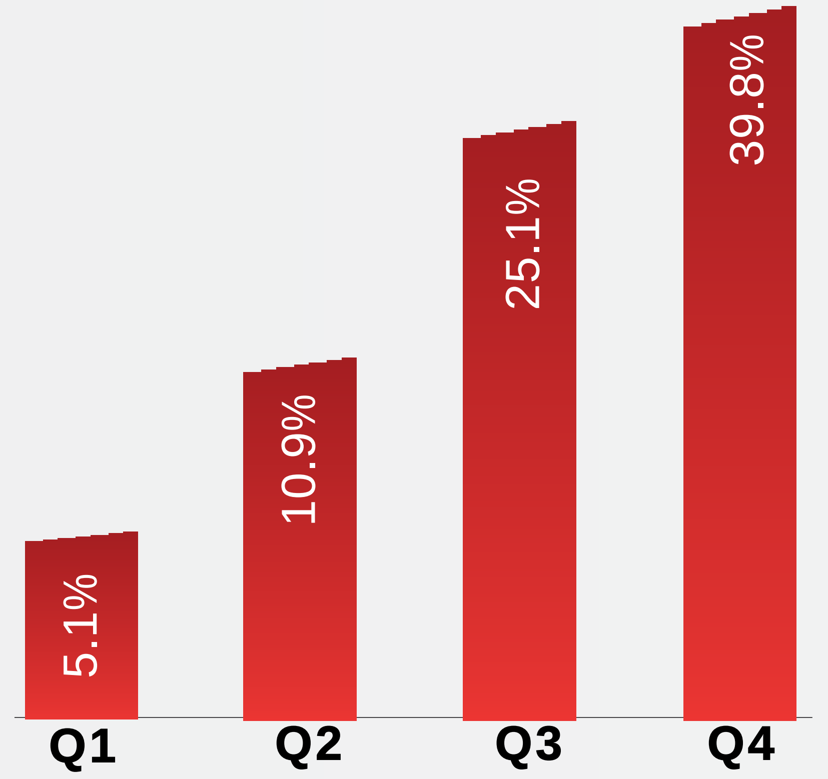
Balance sheet in a strong position - net debt reduced to $4.1m at 30 June 2019

- Net assets of $101.0m
- The business is highly cash generative with limited capex and $71.9m tax losses available.
- Future acquisitions to be funded by operating cash flows and debt.
- Advanced discussions underway with major banks for a flexible low cost corporate debt facility.

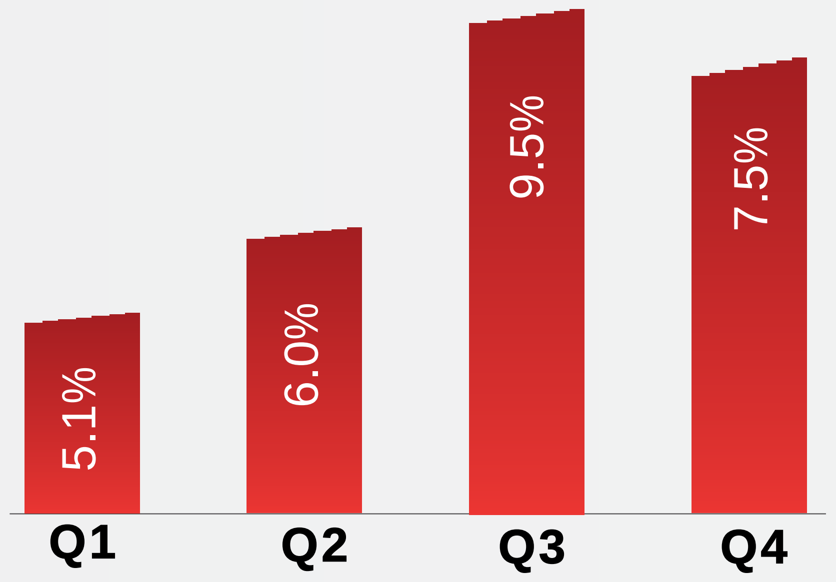
Nubco and Torque integrations progressing to plan

- Sales and profit margins in line with expectations

Coventry Group's trading performance has improved significantly over FY19.



Quarterly sales growth (including acquisitions)



Quarterly sales growth (excluding acquisitions)

Coventry Group Ltd
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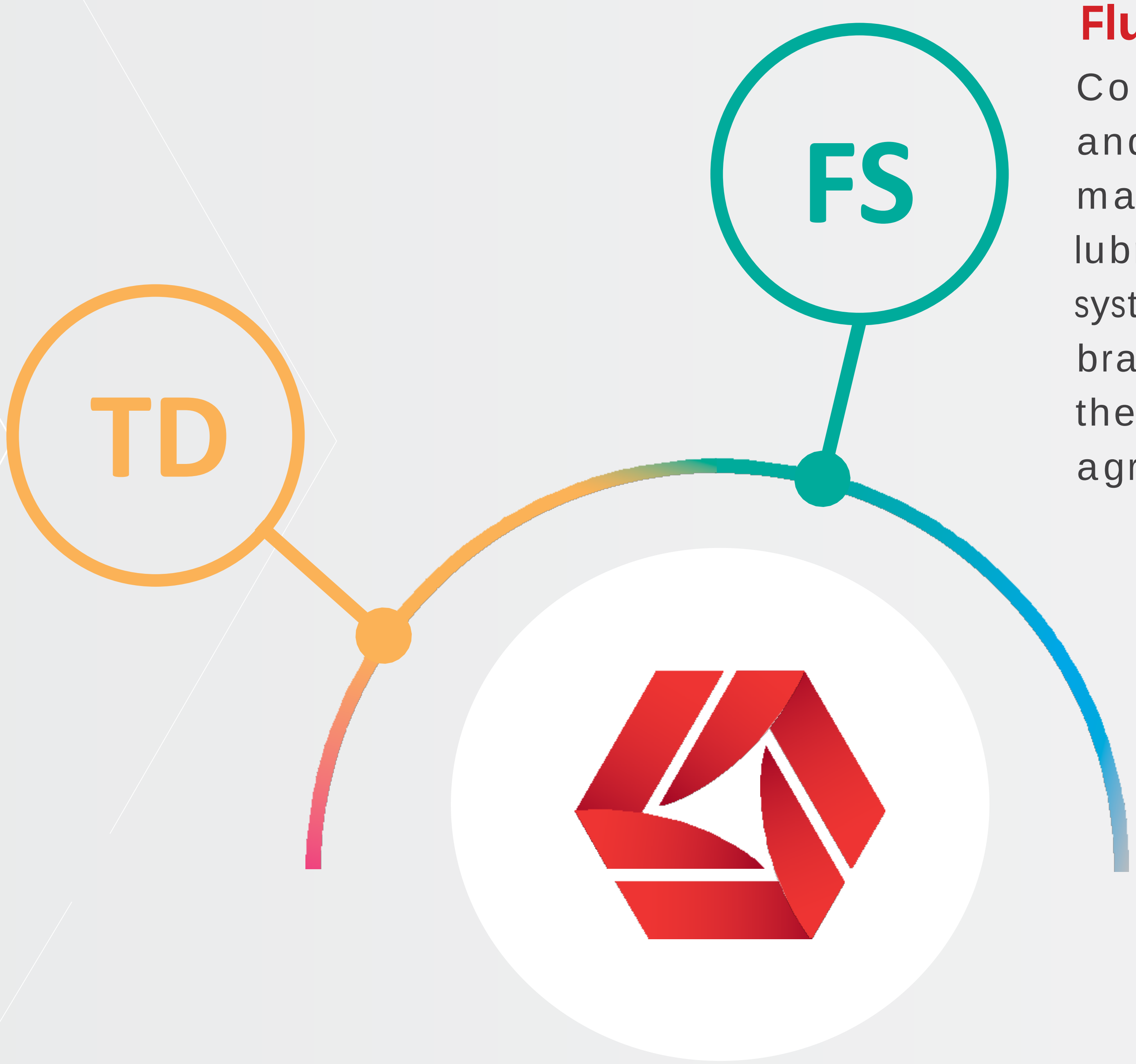
Business Overview

We supply a range of fastening systems, industrial products and hydraulics, lubrication, fire suppression and refueling systems, cabinet hardware systems and other products.

Trade Distribution (TD)

Comprises Konnect and Artia Australia (KAA), Konnect and Artia New Zealand (KANZ), and Nubco. Supplies a range of fastening systems, cabinet hardware systems, industrial and construction products through a network of 48 branches in Australia and 16 branches in New Zealand. Customers are in the manufacturing, construction, agriculture and mining sectors.



Fluid Systems (FS)

Comprises Cooper Fluid Systems (CFS) and Torque Industries. Designs, manufactures and sells hydraulics, lubrication, fire suppression and refuelling systems and products through 12 branches in Australia. Customers are in the mining, manufacturing, defence and agriculture sectors.

Vision / Strategic Direction

Our vision is to create a leading Industrial Supply and Services Group achieving sustainable profitable growth through sensible organic development and acquisitions.

EXCITING OPPORTUNITY TO BUILD A LEADING SCALED INDUSTRIAL SUPPLY GROUP

As the Group has stabilized performance over recent times and returned to profitability, the Board and Executive Leadership Team have spent time developing the vision for the business over the next five years.

The Board and Executive Leadership Team have significant experience in B2B trade / industrial supply and service distribution markets and know what the blueprint for success looks like.

The Executive Leadership Team also has substantial experience identifying, completing and integrating acquisitions.

A clear opportunity exists to build a highly focused scaled Industrial Supply and Services business with leading market positions across multiple geographies, sectors and products.

Growth can be achieved through a combination of:

- Organic growth (market share gains, new branches, new products and new geographies);
- Sensible strategic acquisitions.

Key People

NEIL CATHIE
Independent Non-Executive Chairman

27 year career at Australia's largest and most successful plumbing and bathroom distributor, Reece Limited, in finance and governance roles.

Director at and advisor to a number of private companies including Bowens Timber & Hardware and Middendorp Electric.

ROBERT BULLUSS
CEO & Managing Director

Appointed CEO in May 2017 after holding the role of CFO and Company Secretary since October 2016.

15 years as CFO within the Australian division of Bunzl plc.

ANDREW NISBET
Independent Non-Executive Director

Appointed in September 2017.

Extensive career in senior management roles at Reece Limited.

JAMES TODD
Independent Non-Executive Director

Appointed in September 2018.

Former Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999.

Non-executive director of ASX listed companies IVE Group Ltd and HRL Holdings Ltd.

ROD JACKSON
CFO

Appointed CFO in September 2017.

Spent four years as the Finance Director at Bunzl Outsourcing Services Ltd prior to joining the Coventry Group. Before this he was the CFO at Linfox.

Our Story

1929

Mr Ronald James Kyle acquires a car dealership from a liquidator and Coventry Motor Replacements is born.

1929 – 1965

The business prospers.

Appointed both Ford and Holden products distributor.

Acquires Raphaels Pty Ltd in 1958.

Grows to six branches in WA with 450 people.

1966

Listed on the ASX.

1967 – 1983

Acquires a number of businesses:

1972 – Industrial Sales Holdings.
1975 – West Coast Automatics.
1977 – Motor Traders in SA (first interstate expansion).

1984 – 2000

Numerous acquisitions including diversification into a number of Fasteners businesses and Cooper Fluid Systems.

Establishment of Coventry Auto Parts (CAP) in 1998.

By 1999 the Group has 1,900 people.

2000 – 2006

Group revenue reaches $500m.

Losses occur in CAP business.

2007 – 2016

Sale of automotive divisions.

Period of declining sales in remaining businesses.

2017

New senior management team.

Board restructure.

Sale of AA Gaskets.

Konnect and Artia Australia strategy reset.

2018

Acquisition of Torque and capital raising.

2019 & BEYOND

Highly focused board and management team.

Acquisition of Nubco and capital raise.

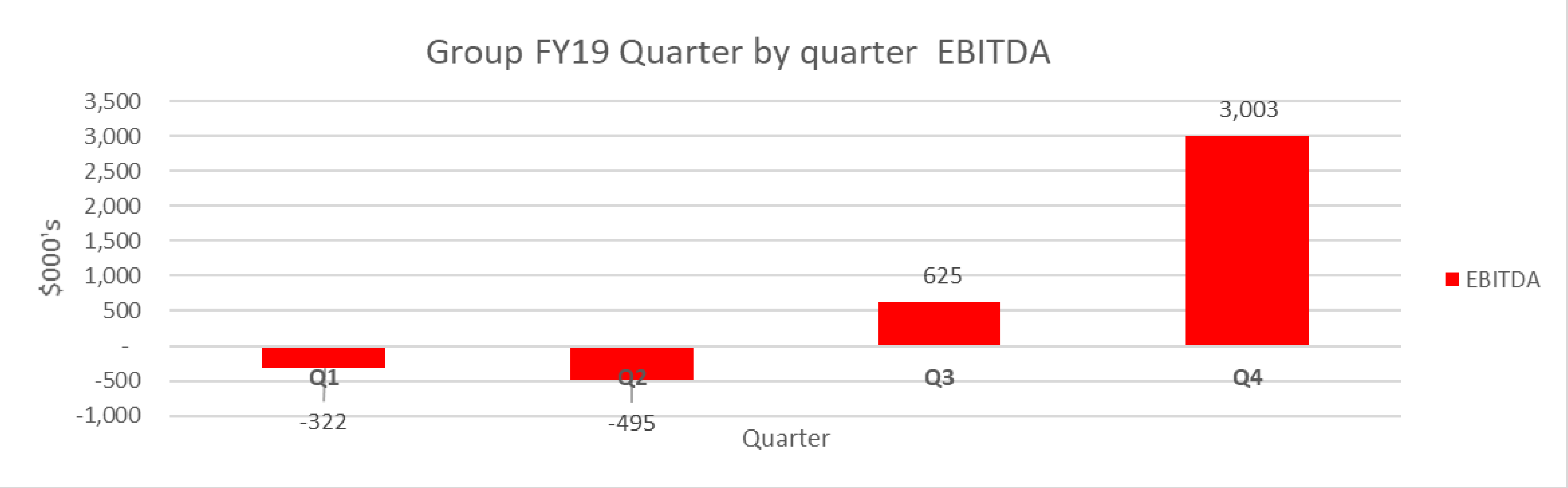
Business is focused on two verticals with key competitive advantages.

Implement turnaround in Konnect and Artia Australia and drive sustainable profitable growth.

Detailed FY19 Financial Results

- Sales +20.4% (including acquisitions)
  - Sales +7.0% excluding acquisitions
  - Sales of $202.3m (FY18: $168.1m)
  - Excellent growth in CFS and KANZ
  - KAA sales decline arrested and set up for growth
- Underlying EBITDA of +$2.8m (including acquisitions)
  - Underlying EBIT including acquisitions of +$1.1m
- Net loss after tax from continuing operations –$1.4m
  - Loss reduced by +$6.9m from -$8.3m loss in FY18 from continuing operations
- No interim dividend declared
- Substantial improvement in EBITDA run rate in second half of FY19

($m)	FY19 including acquisitions	FY19 excluding acquisitions	FY18
Revenue from sale of goods	202.3	179.8	168.1
EBITDA	2.8	-1.1	-4.7
EBIT	1.1	-2.4	-6.1
Net loss after tax from Continuing Operations	-1.4		-8.3
Net debt	-4.1		5.0
Net Tangible Assets	53.3		48.4



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Balance Sheet and Cash Flow

- Net debt position at 30 June 2019 of $4.1m
- ScotPac facility increased to $25.0m
- In advanced discussions with major banks to secure a flexible low cost corporate debt facility
- The Group is now cash flow positive
- The Group has a strong working capital position with Current Assets exceeding Current Liabilities by $50.8m as at 30 June 2019
- Tax losses of $71.9m available for use in Australia
- Franking credits available $10.8m

($m)	Jun-17	Jun-18	Jun-19
Cash & cash equivalents	5.1	5.0	5.3
Inventories	49.3	46.4	59.9
Trade and other receivables	29.3	30.5	39.5
Total current assets	**83.7**	**81.9**	**104.7**
Property, Plant & Equipment	4.7	4.6	5.9
Intangible assets	5.9	6.1	46.5
Deferred tax assets	6.7	6.1	1.2
Other non-current assets	0.1	-	-
Non-current assets	**17.4**	**16.8**	**53.6**
Total assets	**101.1**	**98.7**	**158.3**
Trade and other payables	23.8	30.5	38.2
Debtor finance facility	8.0	-	9.4
Other non-current liabilities	4.4	4.2	6.3
Non-current liabilities	**36.2**	**34.7**	**53.9**
Deferred tax liability	-	-	-
Other non current liabilities	3.3	3.4	3.4
Non current liabilities	**3.3**	**3.4**	**3.4**
Total Liabilities	**39.5**	**38.1**	**57.3**
Net Assets	**61.6**	**60.6**	**101.0**
Issued capital	108.1	107.8	149.6
Retained earnings & reserves	- 48.7	- 47.2	- 48.6
Non-controlling interest	2.2	-	-
Total equity	**61.6**	**60.6**	**101.0**
NTA per share (cents)	1.30	1.30	0.59

Corporate Update

- Ken Lam appointed as CIO
- IT function relocated to Melbourne. New qualified and experienced IT team in place
  - Digital customer engagement project including internet ordering, mobility, CRM and POS underway
  - Business optimization project continuing
  - Savings planned from system migrations to the cloud from data centers
- Finance and HR teams have been strengthened
- Significant improvement in employee engagement
- Significant reduction in employee turnover
- Corporate costs $9.7m ($8.2m FY18). FY18 positively impacted by insurance claim $500k. FY19 negatively impacted by Redcliffe income loss of $221k.

Employee engagement net promoter score

FY17: -31%

Now: +16%

Employee voluntary turnover

FY17: 37.0%

Last 6 months: 18.8%

Largest fastener trade distribution specialist in Australia and New Zealand

Why use a specialist fastener distributor?

- The suitability of a fastener is highly dependent on its application.
- The selection process must establish the strength required (material grade), corrosion factors (protective coatings), head type and thread form fit which often requires significant professional expertise and a large stock range that is typically not available at a generalist hardware / industry supply company.
- Konnect has 80,000 fastener SKUs compared to ~10,000 at most hardware retailers.

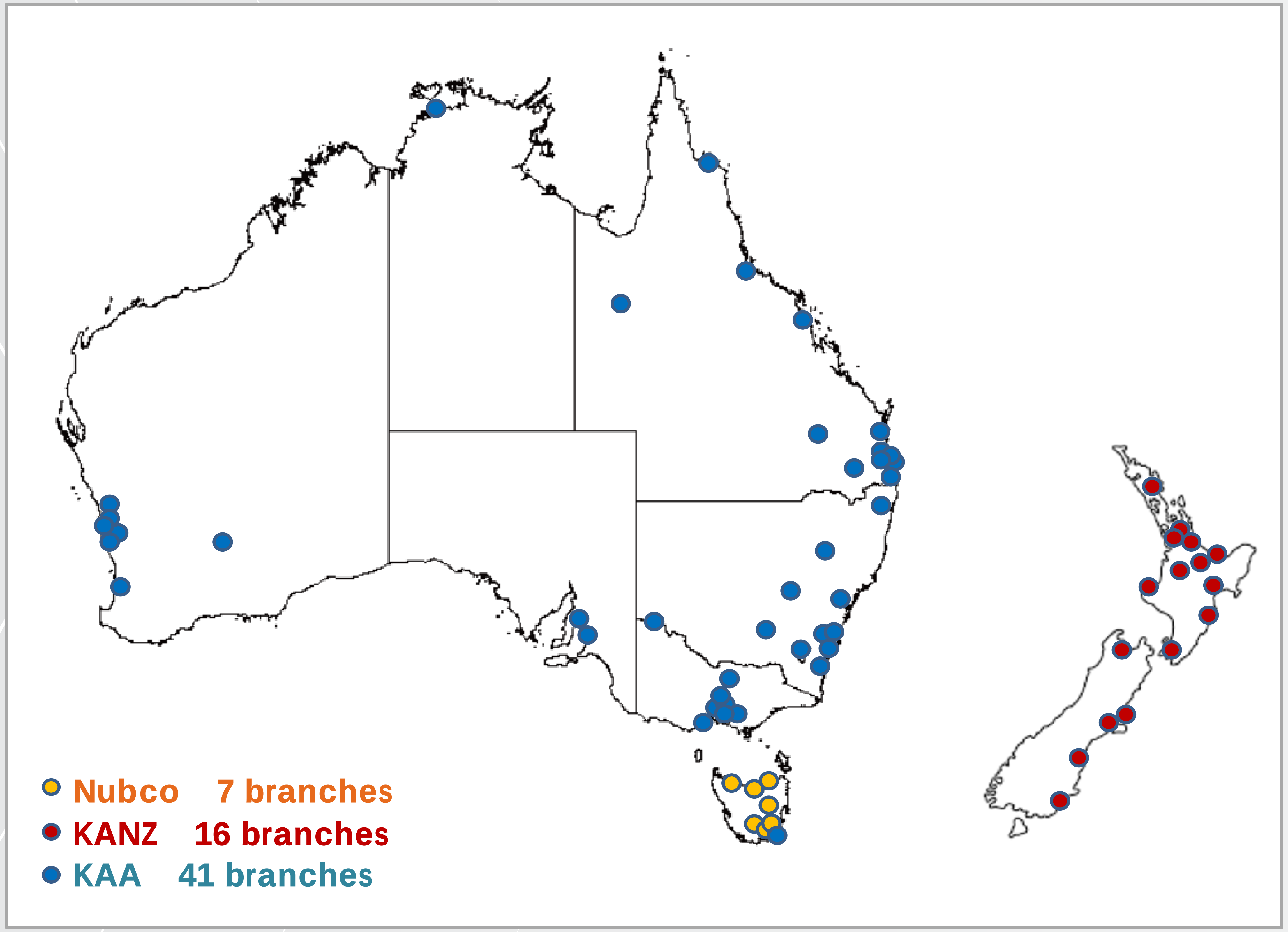
Key advantages of scale include:

- Larger range and superior stock availability.
- Expertise.
- Extensive network delivers better customer service outcomes.
- Superior purchasing (including direct offshore buying) results in more competitive prices.

The business is trade focused – there are significant advantages of trade distribution businesses over B2C retailers including:

- Customers often require significant specialized advice which makes them more immune to the threat of online businesses.
- Property costs are typically a lot lower given branches are located in industrial locations and Konnect only requires a small branch footprint.
- Gross margins are attractive as price is of less importance in buying decisions than stock availability and Konnect sells typically represents a very small proportion of the overall cost of a job.

Trade Distribution – Branch & DC Network



- New branches opened in Australia (Kalgoorlie) and New Zealand (Rotorua and Silverdale)
- Plans for two new branches in H1 FY20
- Re-configuring Pinkenba branch applying Nubco store merchandising, marketing and promotion concepts
- Pop-up store concept being tested in Mt Gambier
- Expanded Auckland CBD and Canberra branches in FY19
- Plans to expand a number of branches in FY20
- Added seven new locations through Nubco acquisition
- Program to close unprofitable branches completed – Thomastown, Burnie and Launceston

Trade Distribution – Financial Overview

($m)	FY19 including acquisitions	FY19 excluding acquisitions	FY18
Revenue from sale of goods	119.1	104.2	102.6
EBITDA	3.3	0.8	-2.5

Konnect and Artia New Zealand FY19 sales growth +13.3%

- EBITDA improvement of 16.0% FY19

Konnect and Artia Australia sales in line with pcp

- Excluding one-off project sales to Chevron in WA in H1 FY18 ($1.282m) and the impact of unprofitable store closures ($1.467m)
- EBITDA improvement of $2.7m in FY19
- Targeting a break even or better result for FY20

Nubco FY19 sales of $14.9m

- Pro-forma sales of $42.0m

KAA – Key Strategic Initiatives

Drive profitable sales growth

- Significant focus on improving service levels in Konnect Australia and Artia - green shoots emerging with July sales growth of 8.4% on the PCP.
- Improved capability is opening opportunities in large construction, infrastructure and mining and resources prospects.
- Key senior management and business development hires in NSW, QLD, VIC and WA. Return of a number of experienced ex-Coventry Group personnel.
- Opening new stores – two new stores planned for H1 FY20
- The Group has a small market share (<10%) in the industrial trade supply market with lots of opportunities for growth.

Optimize existing branch network and DC footprint

- Trialing repositioning selected mainland Konnect branches to more general industrial supply branches with the help of the Nubco team. If they prove to be successful then we will consider a larger rollout of the concept through the branch network.
- Continued optimization of DC footprint – anticipate a further $1.5m savings over the next two years.

Procurement savings and price harmonization

- $1.0m of procurement savings delivered as a result of Nubco acquisition and overseas buying initiatives. The full run-rate benefit from 1Q FY20.
- Improving trading and rebate terms with local and overseas suppliers.
- Reducing freight costs.

Very well run division with a great management team in place

- In FY19 the division grew its sales by 27.3% and EBITDA by a very strong 64.7%.
- Operating leverage is substantial with 18% of incremental revenue dropping through to the Contribution line (i.e. EBITDA growth of $3.2m on revenue growth of $17.9m).
- EBITDA margin of 9.9%.

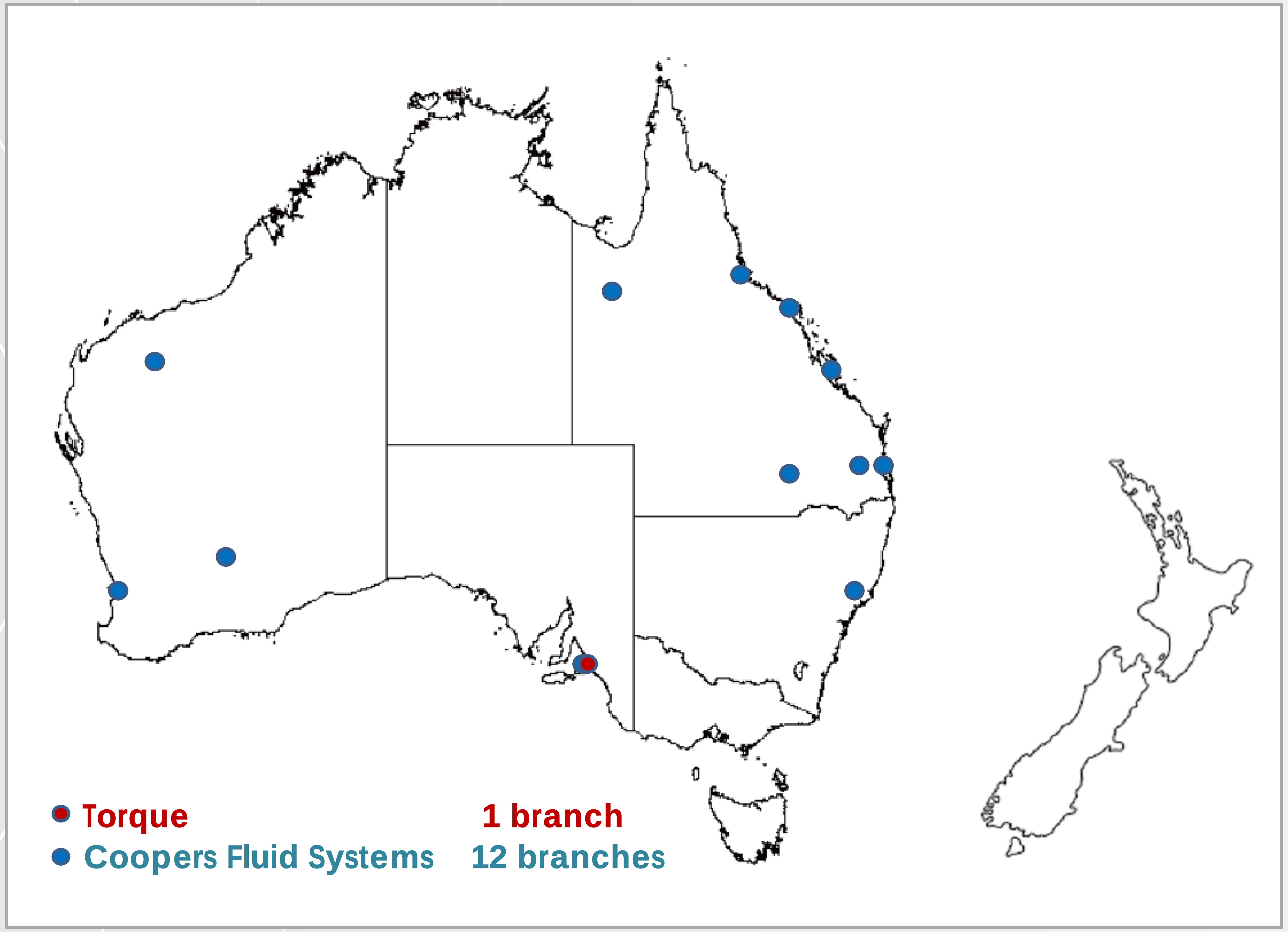
The business still has substantial room to grow both through organic expansion and acquisition opportunities

- Delivery of additional services and geographic branch expansion to increase market share.
- Expand hydraulic cylinder market share – investment already made into required equipment.
- Expand hydraulics, fluid dispensing and refuelling systems capabilities and customers.
- Increase exposure to other sectors outside of mining such as agriculture, oil & gas, defence and manufacturing.
- M&A opportunities to diversify away from mining and resources.

Optimize branch network for growth

- Relocating and integrating Torque and Cooper Fluid Systems Adelaide operations into a better quality customized facility in 2020. Relocating Hunter Valley branch to a larger custom built facility.
- Relocated Newman branch to a larger facility and taking additional space in Mackay to cater for growth.

Fluid Systems – Branch Network



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- Relocated Newman branch to a larger facility.
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Fluid Systems – Financial Overview

($m)	FY19 including acquisitions	FY19 excluding acquisitions	FY18
Revenue from sale of goods	83.3	75.6	65.4
EBITDA	8.8	7.4	5.5

Fluid Systems sales growth +27.3%

- EBITDA improvement of 58.7% FY19.

Cooper Fluid Systems sales growth +15.7%

- EBITDA improvement of 34.1% FY19.

Torque FY19 sales of $7.6m

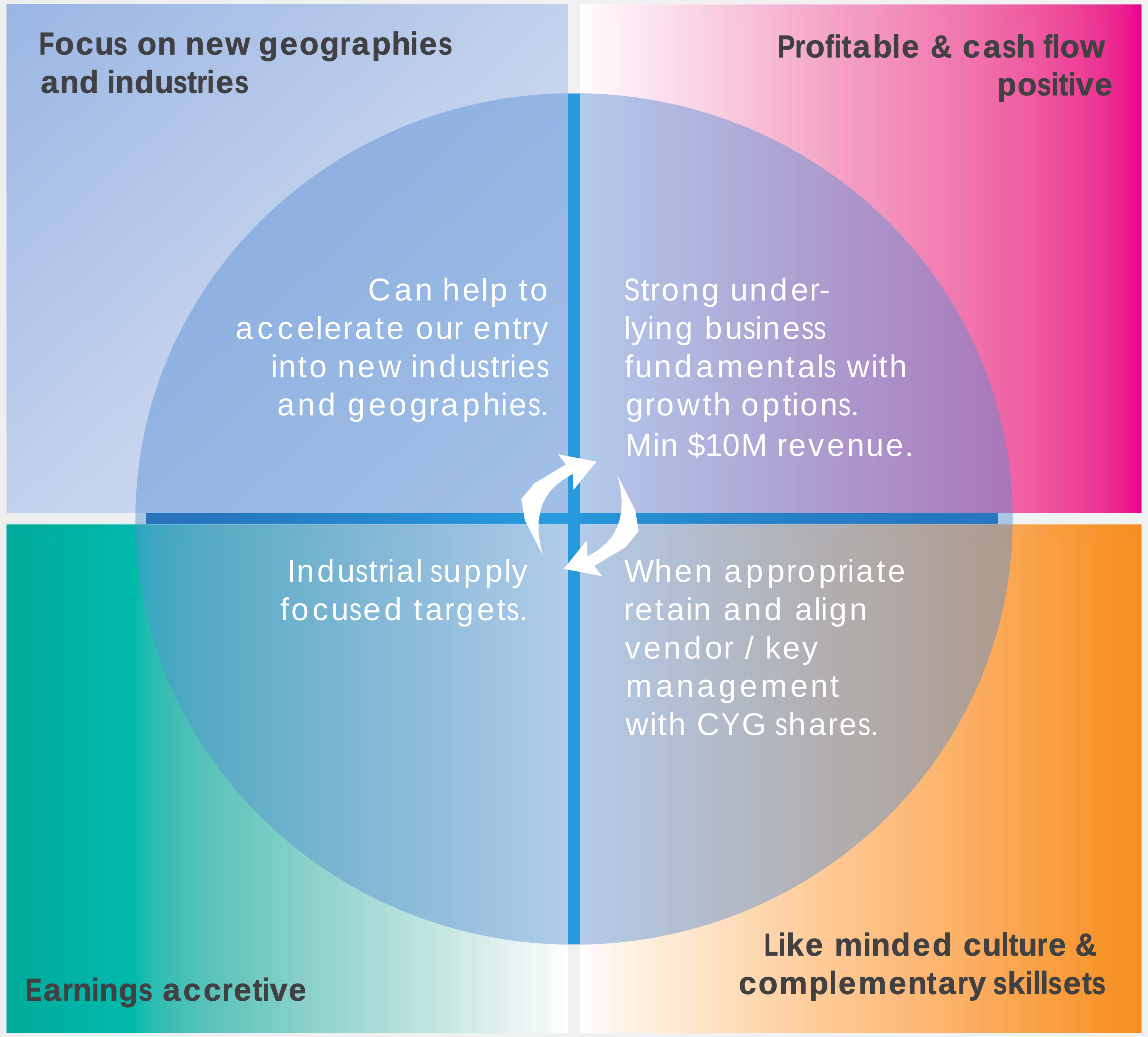
- Pro-forma sales of $12.0m.

Acquisitions

We are actively assessing acquisition opportunities

Sensible strategic acquisitions

- The Group will take a highly disciplined approach to acquisitions with strict criteria.
- Team in place who have a very successful history of growing businesses through sensible and strategic acquisitions.
- We have a pipeline of interesting opportunities.
- Funding will be through debt and operating cash flows.



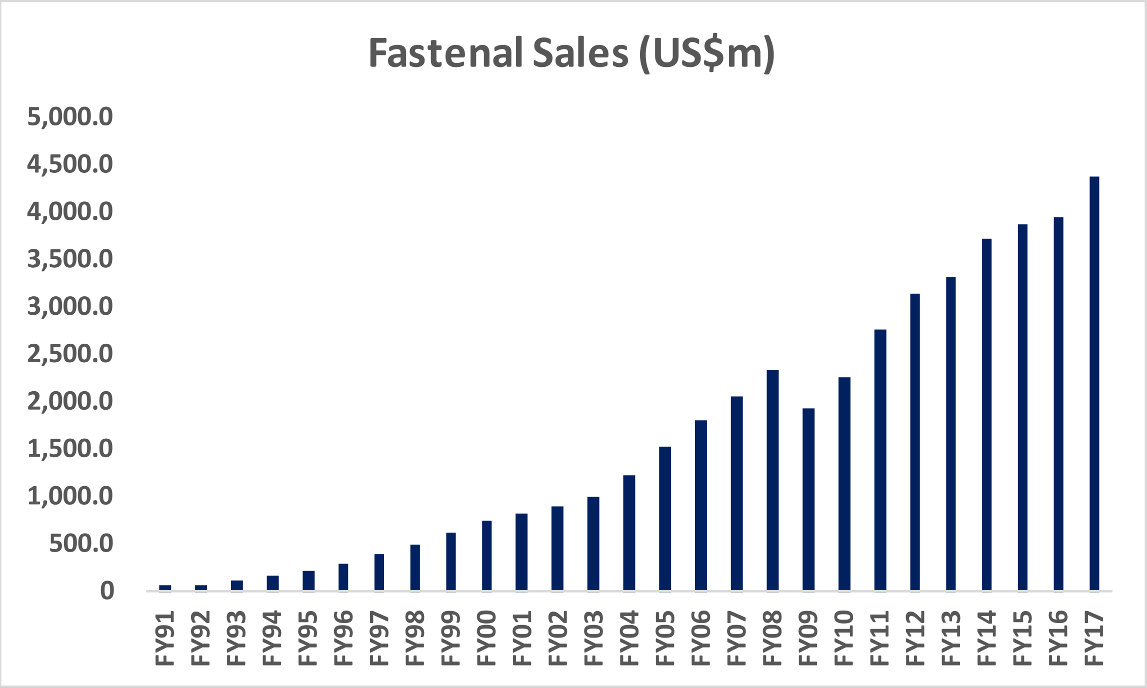
Outlook

The outlook is positive - the Group expects a significant improvement in financial performance in FY20.

- The business has substantial operating leverage as sales grow. There are limited additional operating costs required to support sales growth – the majority of incremental gross margin should drop to the EBITDA line.
- There are significant growth opportunities across all aspects of the business – market share gains, new branches, product range extension, and acquisitions.
- Team in place who have a very successful history of growing businesses through sensible and strategic acquisitions. Pipeline of interesting opportunities. Funding will be through debt and operating cash flows.
- The outlook for our end industry exposures (commercial construction, infrastructure and mining and resources) is positive. The Group has negligible exposure to the residential construction markets.
- A significant improvement in profitability is forecast for FY20 with the inclusion of recent acquisitions for a full 12 months, continued sales growth, procurement savings and continued optimization of the distribution footprint.
- FY20 EBITDA forecast $10m+ assuming continuation of current trends and no adverse broader market developments.
- $20m EBITDA forecast turnaround since FY17.
- Medium-term target to achieve 7.5% group EBITDA margins.
- Significant tax losses available to offset against future profits.
- Encouraging start to FY20 for KAA +8.4% sales growth in July.

Coventry Group trades at a significant discount to comparable trade distribution companies

	Coventry Group	Reece	Supply Networks	Bapcor	Fastenal
Market capitalisation	A$82.5m	A$5.7bn	A$164m	A$1.78bn	US$17.5bn
Enterprise Value	A$86.6m	A$7.3bn	A$170m	A$2.12bn	US$18.0bn
FY19 Revenue (f)	A$233.8m	A$5.4bn	A$126m	$1.30bn	US$5.4bn
EV / LTM Revenue	0.37x	1.3x	1.3x	1.6x	3.3x



Source: Capital IQ

Fastenal (NYSE:FAST) Case Study

Fastenal is a direct peer for Konnect in the US and provides an example of what is possible if we can execute our business strategy well

- Fastenal has over 2,300 branches and over 20,000 employees selling industrial fasteners and other related industrial supplies
- In FY18 Fastenal delivered US$4.9bn of sales and US$998m of EBIT at a staggering 20% EBIT margin

Fastenal has been one of the best performing stocks on the US market over the past 20 years

- Fastenal still remains a “market darling” with a market cap of ~US$17 billion and trades on an EBIT multiple of over 17x

Fastenal has achieved very consistent strong sales growth through the organic rollout of its branch network

- Their success has become a self fulfilling prophecy – the bigger they get the better their purchasing terms get and the better their service gets (through more branches closer to customers and larger stock range)

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