FY24 AGM Presentation

DRIVING GROWTH

in fragmented markets with significant organic opportunities

Coventry Group Ltd

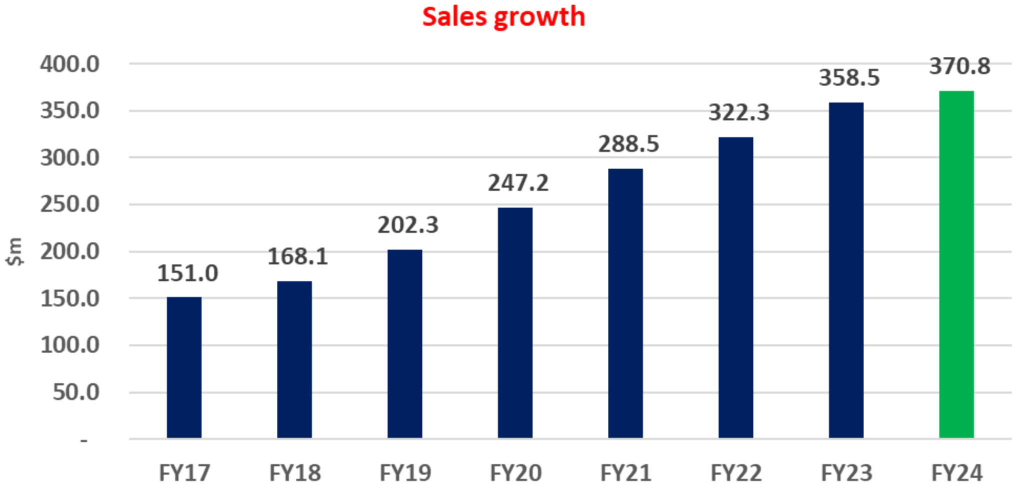
Agenda

01

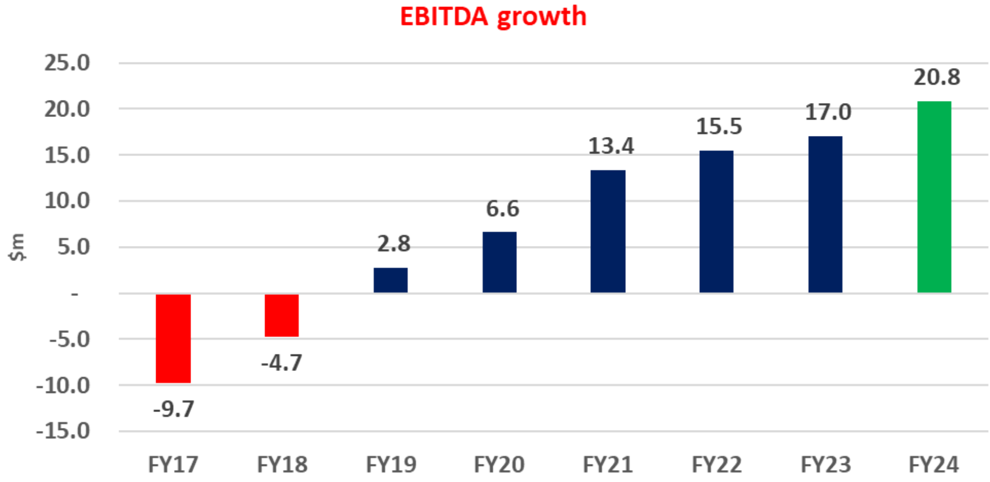
Coventry Group’s strategy

A growth story

Revenue



EBITDA[1]



FY24 Group Revenue up 3.4% to A$370.8m (A$358.5m FY23)

FY24 Group EBITDA[1] up 22.4% to A$20.8m (A$17.0m FY23)

Note 1: EBITDA is earnings before interest, tax, depreciation, amortisation before significant items and has been adjusted to exclude the impact of AASB 16 Leases.

Our strategy

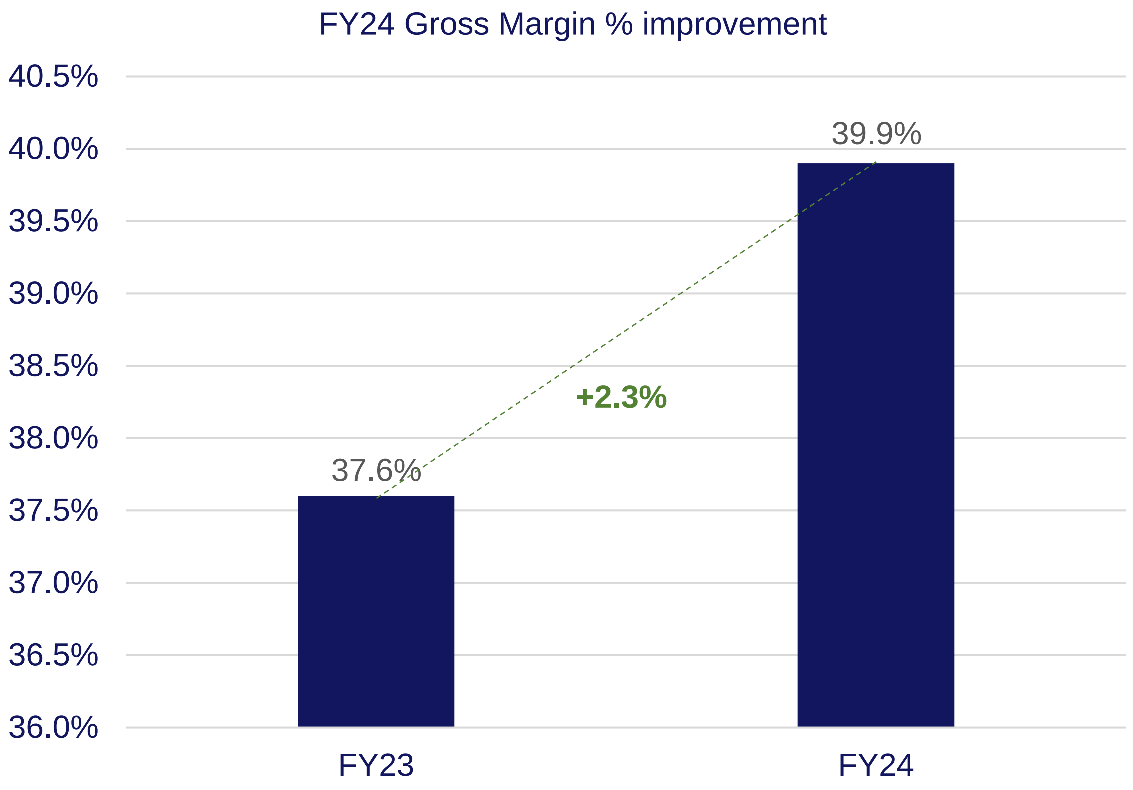
Our purpose	Our values	Our vision	Strategic priorities	Customer promise
To provide **specialised industrial products, services and solutions** to our customers	**Safety first** **Do the right thing** (Fairness, Integrity and Respect) **Work as a team** **Be the best at everything we do**	**Zero harm** **Profitable sales growth** **Leading Trade Distribution and Fluid Systems Groups** across Australia and New Zealand **10.0% EBITDA** (Pre AASB16) **Strong cash conversion**	**The right people for growth** **Improving earnings per share** profitable sales growth **Accelerate profitable organic growth** to achieve 10%+ EBITDA **Optimising financial health** **Digitalising core systems** including delivering the ERP project	**Exceptional specialist services and solutions** to help our customers be successful

People → **Customers**

How we run our business. What we want to achieve. The standards and behaviours that guide how we work together to achieve it. How we do things.

What we promise our customers. What they experience. What it looks and feels like for them. How and what we communicate.

Our strategies are delivering



Initiatives to grow EBITDA[1] to sales to 10% **are delivering.**

Our gross margin buy-side and sell-side initiatives delivered a **2.3% year on year improvement** and along with sales growth will remain a focus throughout FY25.

Note 1: EBITDA is earnings before interest, tax, depreciation, amortisation before significant items and has been adjusted to exclude the impact of AASB 16 Leases.

02

Our growth opportunity

We operate in large fragmented markets

A small share of large markets means there's significant opportunity for organic growth

Mining and resources

Continued strong demand for products and services from mining and energy sectors.

Infrastructure

$100b committed government spend over the next ten years.

We continue to build our capability and value proposition to support the infrastructure market.

Building and construction

Commercial construction markets have continued to perform well despite cost inflation and labour shortages.

Coventry has limited exposure to residential construction in Australia – housing shortage and immigration to drive future demand.

Industrial and manufacturing

Markets are driven by activity in the Mining and Resources, Infrastructure, Building and Construction and other markets serviced by Coventry.

Other markets

Our secondary markets are all performing well:

- Agriculture and aquaculture
- Renewable energy
- Oil and gas
- Defence
- Recycling

Our value proposition Quality products, stock availability, expertise, agility, geographic coverage.

Our opportunities and threats

Markets generally perform better than the overall economy.

Positive demand in the mining and resources sector, Western Australia and Queensland. Short term softening in the other states.

Labour and skills shortages are challenging.

Ongoing macroeconomic volatility (short-term in Australia and NZ).

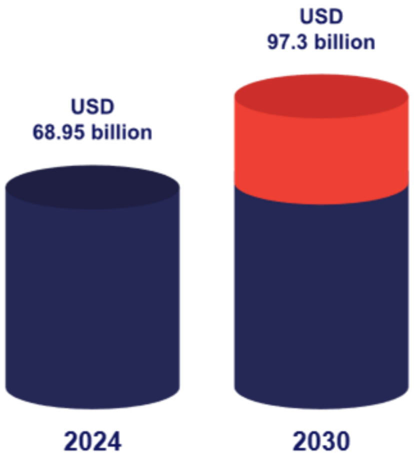
Note 1: EBITDA is before significant items and excludes the impact of AASB 16 – Leases and significant items

Significant opportunities for growth

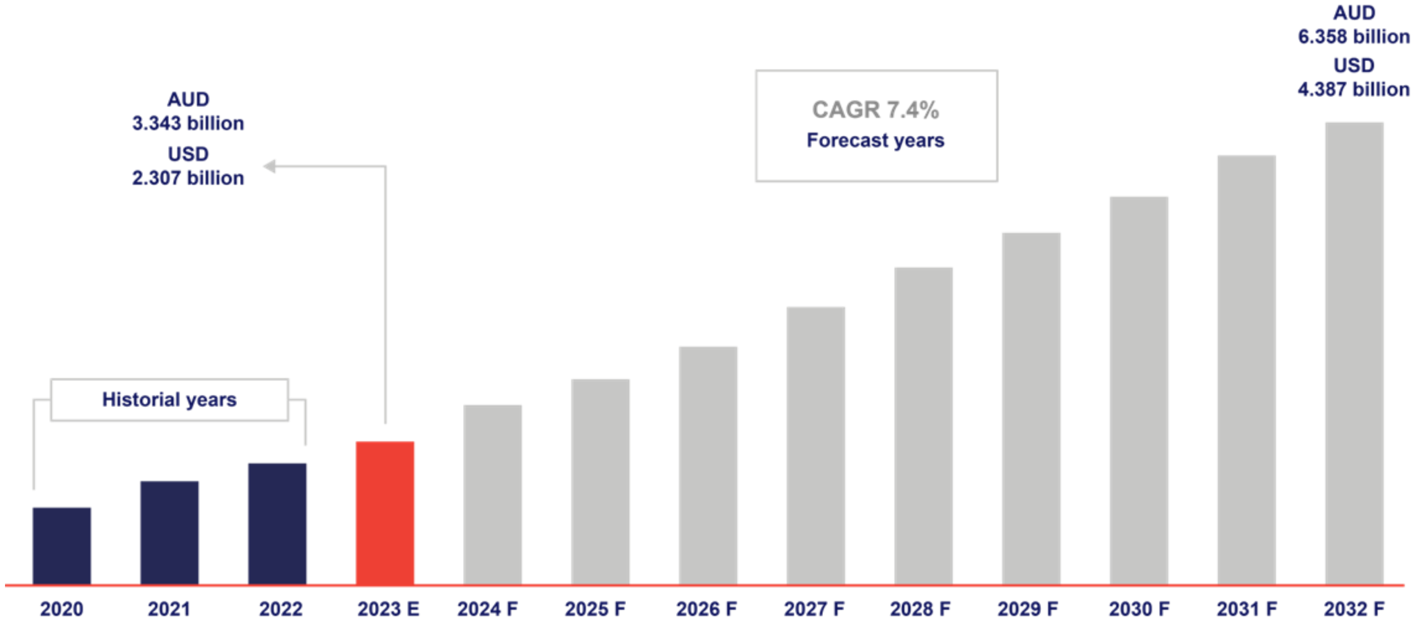
Industry Forecasts – Industrial Fasteners Market

- We operate in growth markets that generally perform better than GDP.
- Based on A$3.343 billion market size in Australia we have only a 2.5% share of the fastener market.
- Globally, the Industrial Fasteners Market is expected to grow at a CAGR of 5.9% by 2030. Locally, the Australia and New Zealand market is forecast to grow at a CAGR of 7.4% by 2030 bringing the total market value to A$6.538 billion.

Global Industrial Fasteners Market
Market forecast to grow at a CAGR of 5.9%.



Source: Research and Markets



Source: Straits Research

Significant opportunities for growth

Industry Forecasts – Fluid Power Equipment Market

Fluid Power Equipment market is forecast to grow at a CAGR of 6.5%.

Based on A$3.5b market size in Australia, we have only a 2.0% share of the fluid power equipment market.

These forecasts plus continued focus on our strategic initiatives will help achieve our business unit EBITDA target.

Organic growth opportunities

- Expanding sales in existing markets.
- Diversifying into markets outside of mining and resources – defence, recycling, manufacturing, transport and agriculture.
- Expanding or relocating facilities to accommodate growth opportunities.
- Increasing engineering capability to deliver customised solutions for customers.
- Developing capabilities for move from manual processes to automated and electric systems and Industry 4.0.
- Exploring options for branches in new geographical regions.

03

Our growth strategy

Operational excellence for growth

Expand network	Improving the network	Improve value proposition	Service and product extensions	Digitalisation
Greenfield Konnect Australia and New Zealand, and Steelmasters Trade stores. **Fluid Systems branches** in new geographical regions.	**Trade store makeovers and relocations** to improve in store customer experience and deliver growth opportunities.	**Improving our value proposition** to retain customers, increase share of wallet, acquire new customers, and improve margins. **Expansion into Tier 2 markets.** **Marketing and promotion programs.** **Alignment with key suppliers.**	**Expanding product ranges.** **Enhance stud bolt capability.** **Increasing engineered customised solutions capability** in Fluid Systems. **Establishing industry 4.0, automation, and electrification capabilities** in Fluid Systems.	**ERP upgrade** delivers significant customer service and productivity improvements. **E-commerce.** **Digitalisation and continuous improvement programs** to improve customer service and increase productivity.

Improving people management systems to build skills and expertise for future business growth

Our value proposition

We deliver on our customer promise to deliver exceptional specialist services and solutions to help our customers be successful through:

Quality products and recognised leading brands.

Stock availability The stock the customer needs when and where they need it.

Qualified, well-trained teams providing expert advice and solutions for our customers.

Responding to customer needs with agility and flexible service.

Our wide **geographical coverage** and scale.

We are implementing systems that will enhance customer service and productivity.

Proven capability

The Coventry Board has two former senior executives from Reece who have significant insights and networks to help drive the Greenfield expansion model.

The business will add additional management capability and resources to help accelerate this strategy including:

Partnership with leading national shopfitters with proven capability of building out trade distribution store networks.

Enhanced **merchandising** capabilities.

Increasing **resourcing** in the property team to secure new location opportunities. The softening economic environment on the east coast of Australia is providing increased opportunities.

Investing significantly in our **training and development** to ensure we have a pipeline of new branch managers that know the “Konnect Way”.

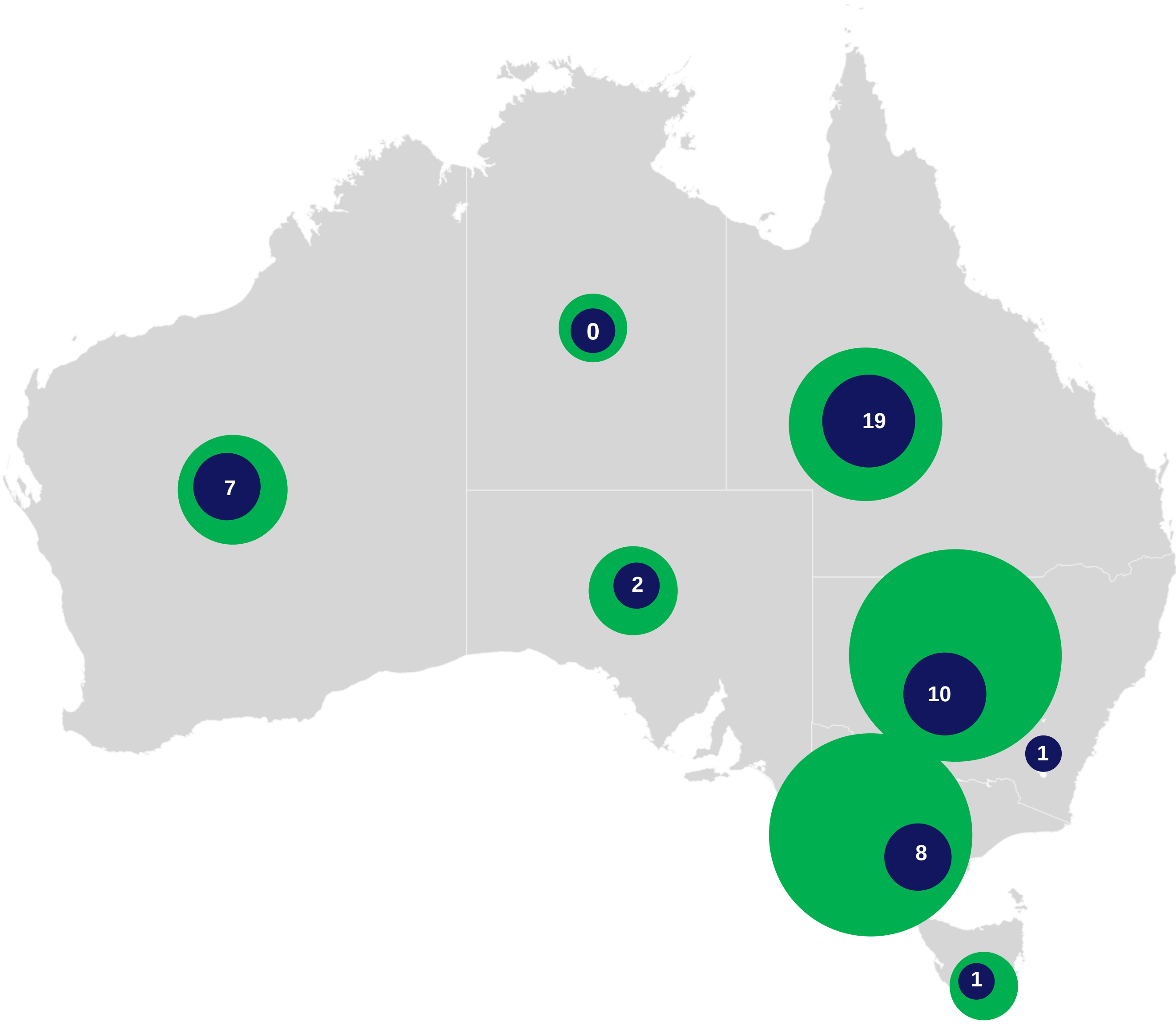
Expanding our KAA/Boltmasters network

KAA is currently under-represented in Australia. Based on the market share in NZ, there is considerable opportunity for growth in Australia.

We plan to grow our footprint to **100 stores** nationally over the next five years with a focus on NSW and Victoria.

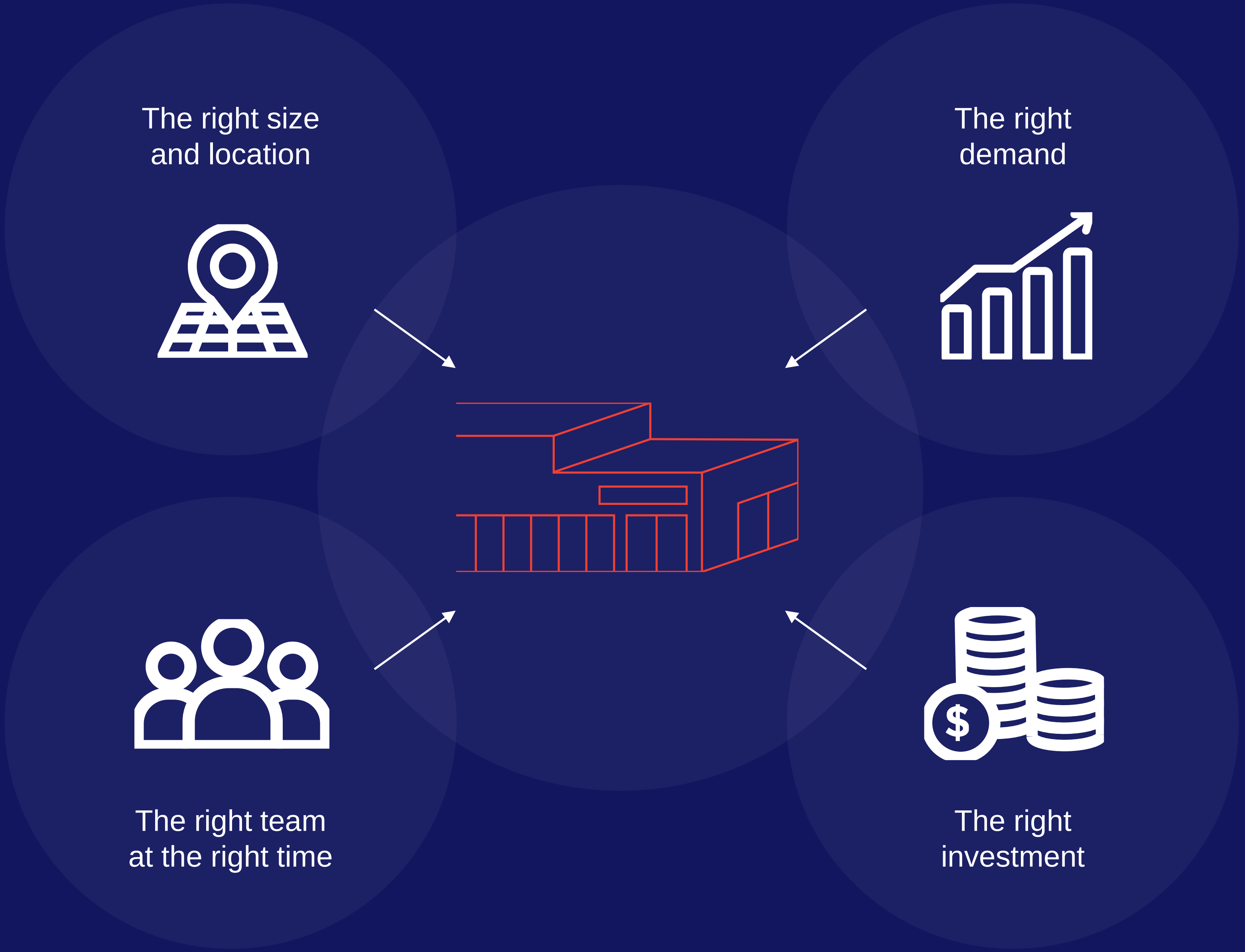
Opportunity

Existing



Greenfield Model

Factors required to ensure success of network expansion.



KAA new store rollout profile

The primary growth driver going forwards will revolve around an aggressive rollout of Greenfield sites.

Greenfield has several advantages over acquisitions, including lower capex (no goodwill), singular operating model, consistent culture, and systems.

Bolt-on acquisition opportunities will only be contemplated when they gives us access to difficult to enter geographies, bring unique capabilities, and can be purchased at attractive valuations.

	FY25	FY26	FY27	FY28	FY29
Opening stores	46	54	64	75	87
New stores targeted	5	6	7	8	9
Potential bolt-on acquisitions	3	4	4	4	4
Closing stores	54	64	75	87	100

Targeted Greenfield economics

We are developing a high growth, high return on capital Greenfield branch rollout strategy.

Minimum Targeted New Store Economics	Year 1 forecast	Year 2 forecast	Year 3 forecast
Sales	$1m+	$1.5m+	$2m+
EBIT margin	10% +	15% +	20%+
EBIT	$100k+	$225k+	$400k+
Capex	~$220k		
Inventory	~$300k		
ROIC	15%+	40%+	75%+

A greenfield model that works

Branch 1

Opened June 2024

	Year 1 forecast	Year 2 forecast
Sales	$1m+	$1.5m+
EBIT margin	20% +	20% +
EBIT	$200k+	$300k+
Capex	~$220k	
Inventory	~300k	
ROIC	30%+	55%+

Branch 2

Opened January 2024

	Year 1 forecast	Year 2 forecast
Sales	$2.5m+	$3m+
EBIT margin	12% +	15% +
EBIT	$300k+	$450k+
Capex	~$220k	
Inventory	~300k	
ROIC	55%+	85%+

04

FY25 Q1 Update

FY25 Q1 update

Positive profit growth despite challenging economic conditions and expected disruption during the ERP go-live stage.

EBITDA [1]

$5.526m

+0.7% on FY24

Revenue

$95.025m

Flat with PCP

- Group EBITDA [1] growth of 0.7%
- Group EBITDA [1] % to sales of 5.8%
- Group sales flat with PCP
- Sales impacted by:
  - Difficult economic conditions, particularly in New Zealand and East Coast of Australia.
  - D365 go-live cutovers (one off impact).
- RBNZ now aggressively cutting rates which is expected to lead to improving conditions in NZ leading into calendar year 2025. The KANZ business has strengthened its market position during the downturn and enhanced gross margins so will have significant operating leverage as volumes return.

Note 1: EBITDA is before significant items and excludes the impact of AASB 16 – Leases and significant items

05

Summary

Summary

Seven consecutive years of sales and profit growth

A clear strategy with the principal focus on organic growth

Exceptional people

Operating in resilient markets and industries

Specialisation will help us win

06

APPENDIX

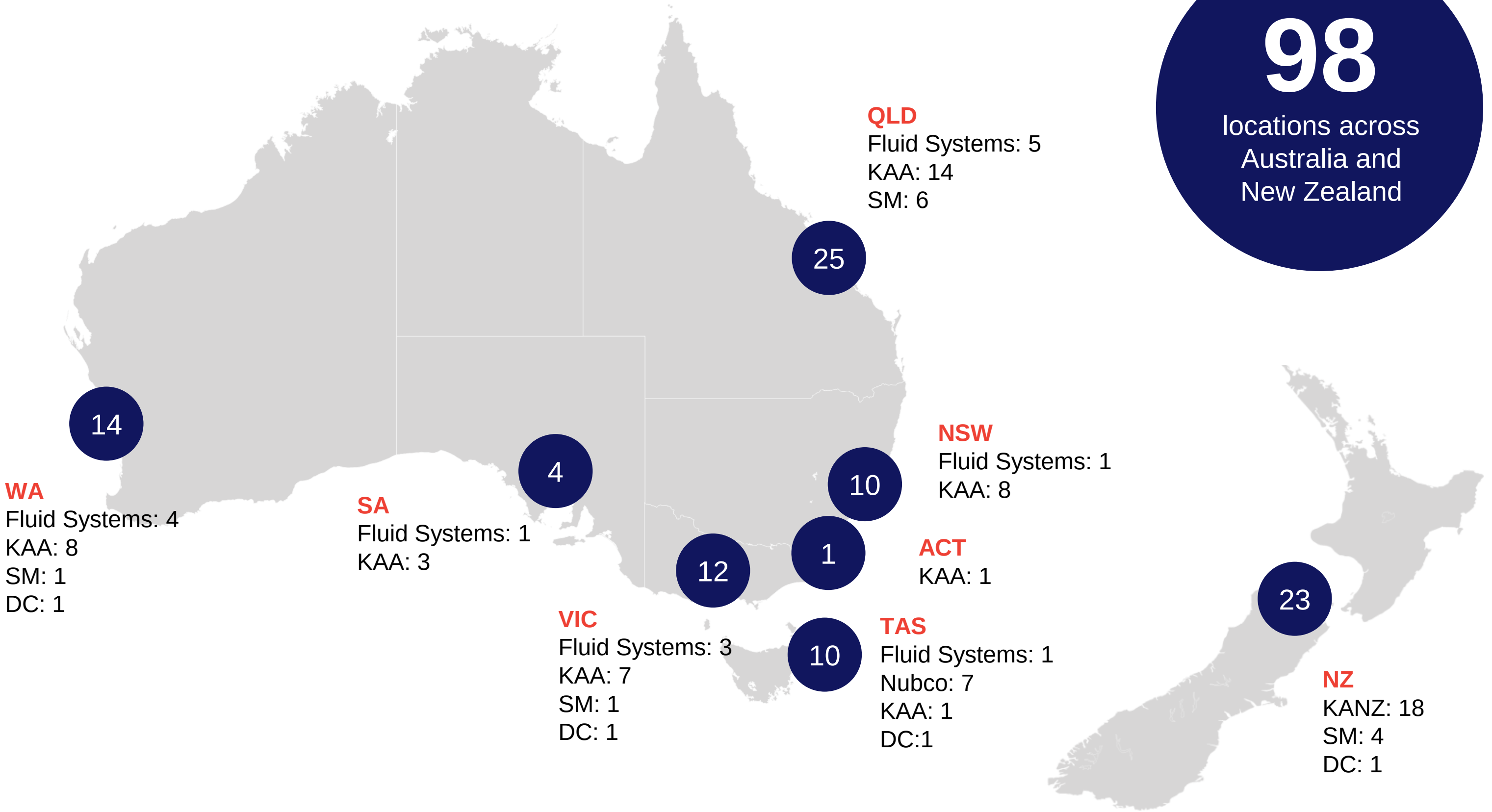
About the Coventry Group

About Coventry

1929
Coventry Group founded

~1,050
people employed
at Coventry Group

98
locations across Australia and New Zealand



15
Fluid Systems branches (AUS)

42
Konnect and Artia branches (AUS)

18
Konnect and Artia branches (NZ)

12
Steelmasters branches (AUS & NZ)

7
Nubco branches (AUS)

4
Distribution Centres (AUS & NZ)

Specialisation is how we win

Our operating business units provide specialised industrial products, services, and customised solutions to a wide range of customers, from blue chips to tradespeople.

Specialisation differentiates us from our competitors.

Where we specialise

Fluid Systems

Fluid Systems is an innovative service provider to the Mining and Resources, Renewable Energy, Agriculture and Aquaculture, Defence, Food & Beverage Manufacturing, and allied industries.

Fluid Systems specialises in hydraulics, lubrication, fire suppression, refuelling, and fluid transfer systems/products through a network of 15 branches.

Trade Distribution

Trade Distribution comprises:

- Konnect and Artia Australia (KAA)
- Konnect and Artia New Zealand (KANZ)
- Nubco
- Steelmasters (SM)

Supply’s a range of fastening systems, cabinet hardware systems, industrial and construction products through a network of 57 branches in Australia and 22 branches in New Zealand supported by 4 Distribution Centres.

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Target 10%+ EBITDA [1]

Improving earnings per share through:

- Organic sales growth
- Accelerating KAA new store roll out program
- Margin improvements
    - Buy side initiatives
    - Sell side initiatives
- Fixing underperforming branches
- Sensible cost control

Targeting

- 14.0%+ EBITDA [1] for each business unit
- 4.0% Corporate costs to Group sales

Delivering results

- Q1 EBITDA [1] improvement of +0.7%
- FY24 EBITDA [1] improvement of +22.4%

KAA profitability improvements

Accelerate profitable organic growth in Trade Distribution:

- Increasing share of wallet and acquiring new customers.
- Accelerating new store growth.
- Improving capability to deliver store makeovers, store relocations, and new stores.
- Develop marketing and digital capability.
- Fixing underperforming branches.
- Improving margin management.
- Improving supply chain and stock availability.
- Sensible cost control.

ERP upgrade project

ERP upgrade progressing well

- The Microsoft D365 ERP system utilises the latest technology and will deliver significant customer service and productivity improvements.
- Fluid Systems, KANZ, Finance, and the pilot KAA branch live on the system.
- Experienced project team and implementation support partners working closely together.
- On target to complete project December 2024.
- Estimated FY25 cost of $3.5m.
- The ERP upgrade continues to progress broadly to plan, schedule and budget.

Optimising financial health

Continue focus on rightsizing inventories and cash conversion

- Cash conversion project delivered positive results.
- Inventory optimisation project continuing.
- Implementing demand planning systems as part of ERP upgrade.
- Cash conversion program delivering results – 112.1% FY24 (112.5% in FY23).
- FY25 cash flow to be positively impacted by the end of the ERP project, full year impact of Steelmasters, organic profit growth, and utilisation of tax losses in Australia.

Develop marketing and digital capability

Implementing e-commerce solutions

- Developing our marketing and promotion capability to increase brand recognition and awareness.
- Ensuring all business units deliver an enhanced omnichannel customer experience.
- Improving our digital offering – Nubco on-line store to be launched early FY25.

FY24 performance

FY24 financial performance snapshot

Financial performance - Solid revenue and profit growth

Revenue	**EBITDA [1]**	**EBIT [2]**	**Statutory net profit**
$370.8m	**$20.8m**	**$19.8m**	**$0.7m**
+3.4% on FY23	+22.4% on FY23	+26.9% on FY23	$2.5m FY23
Cash conversion [3]	**Net Assets**	**Net Debt**	**Net Debt impacted by**
112.1%	**$143.1m**	**$47.3m**	• ERP upgrade project ($9.1m) • Steelmasters acquisition ($13.4m) • Capital expenditure ($4.4m)
112.5% FY23	$113.0m FY23	$33.5m as at 30 June 2023	

Note 1: EBITDA is before significant items and excludes the impact of AASB 16 – Leases and significant items. EBITDA before significant items is a non-IFRS measure and reflects how management measures performance of the Group
Note 2: EBIT is before significant items
Note 3: Cash conversion = Gross operating cash flow less cash lease payments, addback significant items, divided by EBITDA[1]

FY24 Segment performance

Fluid Systems

Revenue	EBITDA[1]
$159.2m	**$19.0m**
+7.5% on FY23	+23.5% on FY23

Trade Distribution

Revenue	EBITDA[1]
$212.1m	**$16.7m**
+1.0% on FY23	-2.0% on FY23

- Fluid Systems EBITDA[1] % to sales of 11.9%.
- Trade Distribution EBITDA[1] % to sales of 7.9%.
- Trade Distribution impacted by difficult economic conditions, particularly in New Zealand and Tasmania combined with wage inflation.

Note 1: EBITDA is before significant items and excludes the impact of AASB 16 – Leases and significant items

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Thank you

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