

COVENTRY GROUP LTD

ABN 37 008 670 102



Results for Half Year Ended 31 December 2009

Roger Flynn
Executive Chairman

Tony Hockley
Chief Financial Officer

MARCH 2010



Key Messages

- Company in best operational shape for years, but
- F10/H1 market conditions still tough – expect H2 improvement and well placed to benefit
- Despite this
 - Net profit rose 243% to \$2.4m
 - EPS rose 315% to 5.4¢ per share compared to H1 F09
- Great improvement from the H2 F09
 - EBIT (pre NRI's) up \$3.4m (200%)
 - NPAT up \$4.1m
- Conservative balance sheet, net debt reduced to \$6m and low CAPEX needs going forward



Key Messages (Cont)

- Interim dividend of 6¢ (nil in pcp)
- NTA >60% above share price with property carried at cost, significant carry forward tax losses and franking credits

Key Points of H1 F10 Performance



- IT system fully “rolled out” and now giving business support
- Reductions in cost base providing profit support
- Market conditions “soft” but signs of improvement in H2 F10
- Key business assets particularly Auto DC operating at high levels of effectiveness
- Strong and stable Management Team

Key Points of H1 F10 Performance (Cont)



- Continuing working capital improvements leading to very low net debt levels.
- Continuing property sales although at lower levels than F09
- Increasing importing although much improvement still possible



Business Profile

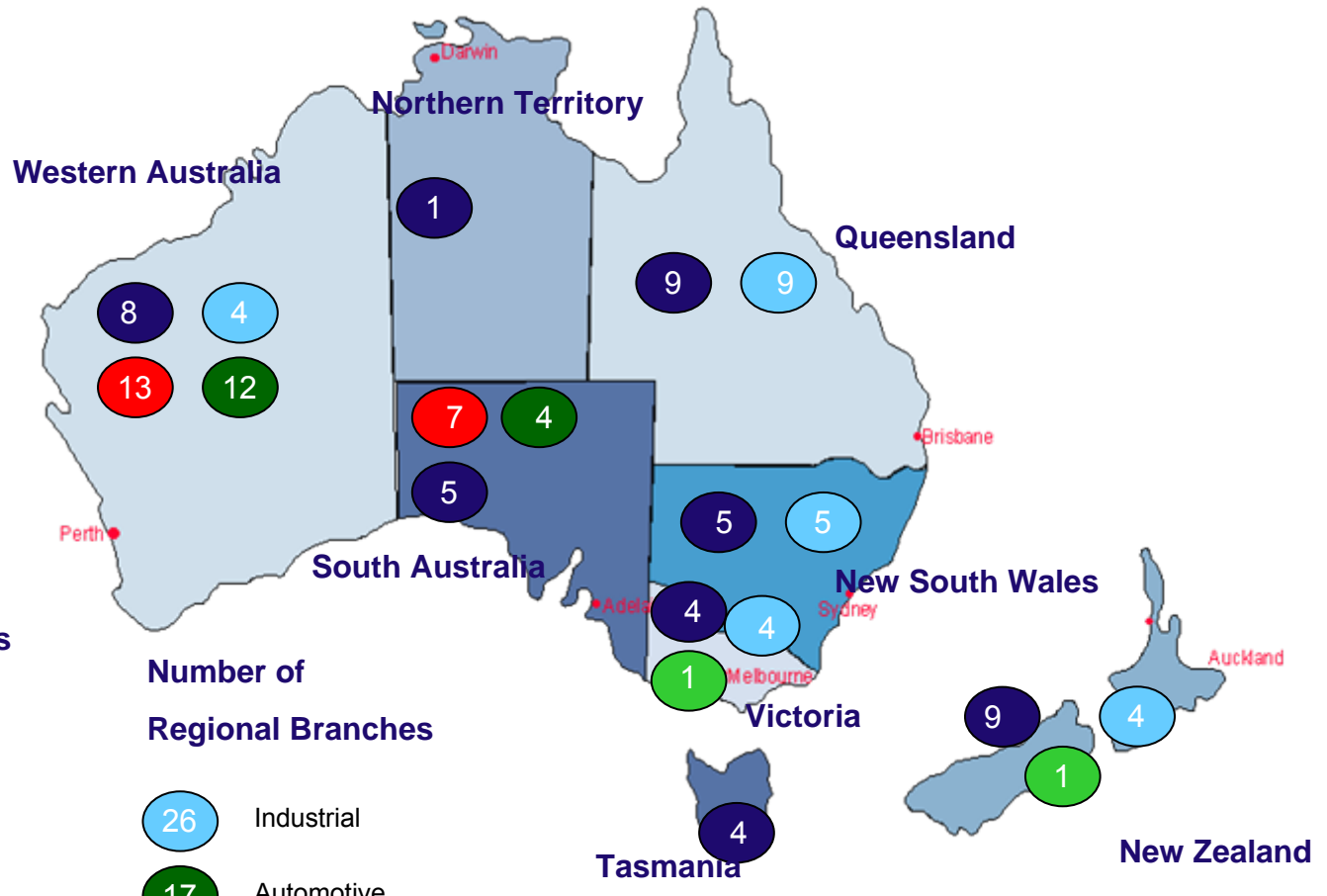
LEADING DISTRIBUTOR OF:

- **Automotive aftermarket parts (including manufactured gaskets)**
- **Fasteners**
- **Fluid system products**
- **Cabinet & furniture hardware**

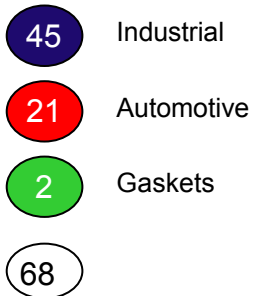
CHARACTERISED BY:

- **Large range (>100,000 SKU's)**
- **Large number of world leading suppliers**
- **Large number of customers**
- **Time/place critical deliveries**
- **Extensive branch distribution network**
- **Large number of transactions**
- **Diverse industry & customer base**
- **Non discretionary spend for customers**

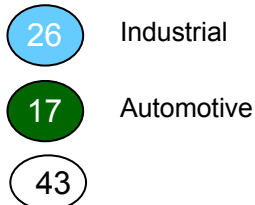
Group Network



Number of Metropolitan Branches

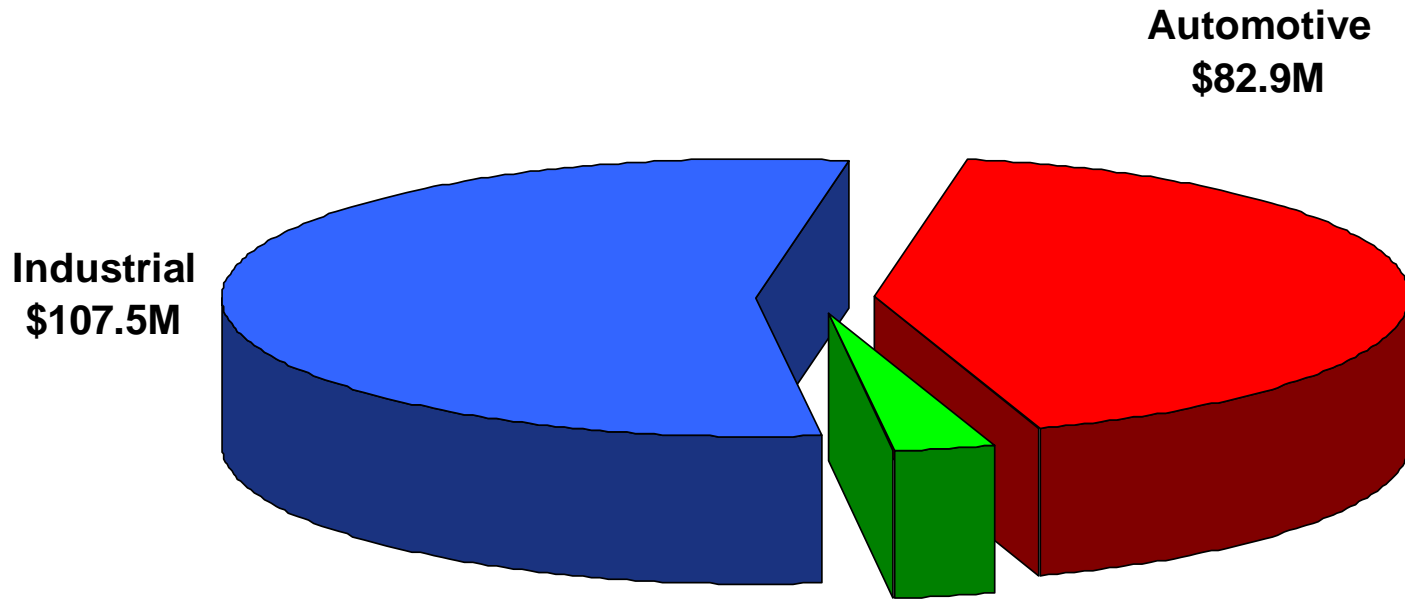


Number of Regional Branches



LOCATION NUMBERS MARCH 2010

Revenue H1 F10



Total \$196.8M

EBIT

(Pre individually significant items
("NRI's"))



		F'09			F'10
\$M	H1	H2	Year	H1	
Industrial	9.9	1.2	11.1	3.0	
Automotive	(3.3)	0.5	(2.8)	2.0	
Gaskets	0.9	1.2	2.1	1.3	
Corporate	<u>(1.2)</u>	<u>(1.2)</u>	<u>(2.4)</u>	<u>(1.2)</u>	
	<u>6.3</u>	<u>1.7</u>	<u>8.0</u>	<u>5.1</u>	



NPAT H1

\$M	Q1	Q2	H1 F'10
EBIT pre NRI's			
Industrial	1.2	1.8	3.0
Auto	1.1	0.9	2.0
Gaskets	0.6	0.7	1.3
Corporate	<u>(0.6)</u>	<u>(0.6)</u>	<u>(1.2)</u>
	2.3	2.8	5.1
NRI's			
Profit Sale of Property	1.1	-	1.1
Redundancies/Restructure	(0.2)	(0.2)	(0.4)
Provisions	-	(1.5)	(1.5)
Interest (Net)	(0.6)	(0.2)	(0.8)
Tax	<u>(0.8)</u>	<u>(0.3)</u>	<u>(1.1)</u>
NPAT	<u>*1.8</u>	<u>0.6</u>	<u>2.4</u>

* As reported at AGM

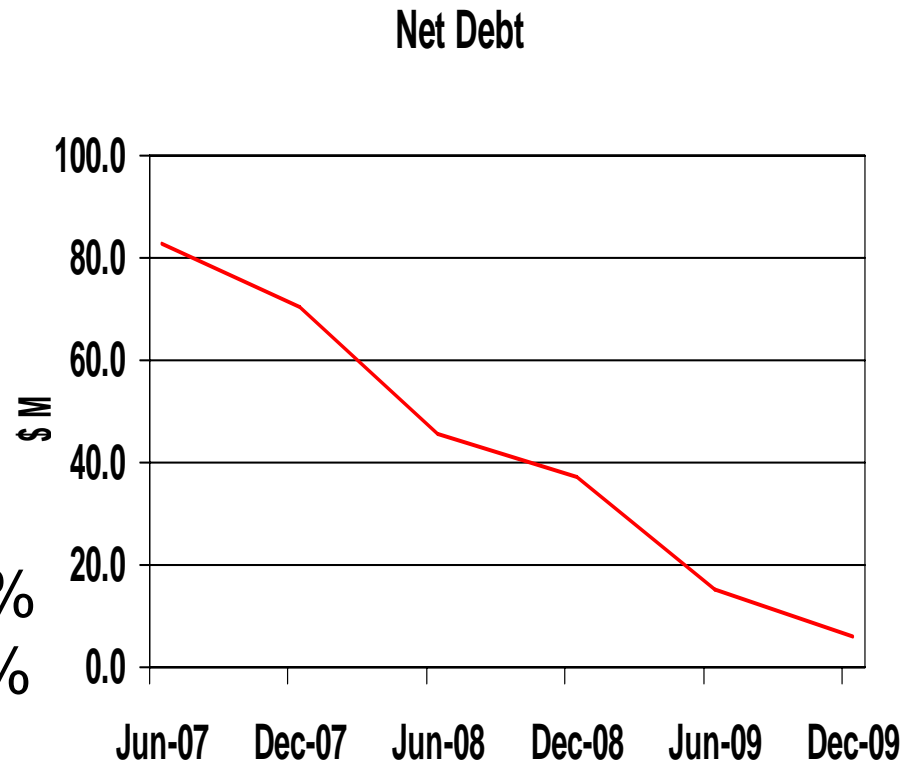
Continuing Net Debt Reduction



Net **debt** reduced from peak of \$83m to \$6m by:

- Halting dividends (recommenced September 09)
- Minimising CAPEX
- Sale of businesses without potential
- Sale of freehold properties / motor vehicle fleet
- Working capital reduction

Debt : Equity % June '07 45%
Dec '09 4%



F'10 – Continuing to Make Assets Work



- Net Debt Dec '09 = \$6m
- Real Estate Owned Dec '09 = \$11m at Book Value
= \$24m at March '08 appraisal
 - One sale during H1, one small sale since Dec '09
 - Willing buyers but unwilling property lenders slowing sales
 - Rental yield expectations yet to moderate relative to interest rates
- Depreciation \$4m vs CAPEX of <\$2m in F'10

F'10 – Continuing Operational Improvements



- Service Levels → Market Share
- Better Sourcing – COGS our dominant cost (>60% of Sales \$)
- Rationalise Costs
 - People (59% of expenses)
(Our No. 2 Cost)
 - Sites (8% of expenses)
- Optimise Pricing Structure

ANNUAL EBIT SENSITIVITIES

- 1% change in selling price changes EBIT by \$3.9m
- Buying price \$2.4m
- Sales volume \$1.5m
- People productivity \$0.8m
- Interest rate (if unhedged) \$0.2m
- All other expenses \$0.6m

F'10- Even More Outward Looking



- Facing our customers & suppliers for mutual benefit
- Reviewing each of our locations to align network to real customer needs
- Looking for growth opportunities
 - organic
 - acquisitions

F'10 – Recovering From Economic Slowdown



- Sales are customer “need” driven
- Infrastructure projects starting to commence
- Prospects for WA and Qld improving
- Business confidence returning
- will return to historic profitabilities:

EBIT : Revenue

Auto	5% by F'11
Industrial	9% F'11/12
Gaskets	20% F'11



F'10 - Growth Path

- Organic
 - Customers
 - Products
 - Locations
- Complementary acquisitions matched to our:
 - Knowledge/skills
 - Capacity to fund
- Leverage growth from major WA projects
- Active capital management
- Current Bank facilities next due for renewal January 2011
(They were renewed during H1 F'10)
- \$24m headroom in facility

Trading Outlook

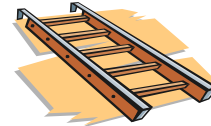


Auto & Gaskets



SNAKES

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LADDERS

External	Internal	External	Internal
<ul style="list-style-type: none">• Depressed resource sector re mining supply• Vehicle service deferrals	<ul style="list-style-type: none">• Inability to recover lost sales	<ul style="list-style-type: none">• New car bubble of early 2000's requiring service• Economic recovery	<ul style="list-style-type: none">• Lower cost base• Recovering lost sales• Improved service levels• Revitalised sales team• Increased Asian sourcing

Trading Outlook

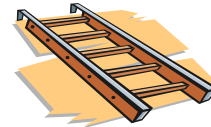


Fasteners



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External	Internal	External	Internal
<ul style="list-style-type: none">•FX drop of A\$•Economic recovery stalls “double dip” possibility	<ul style="list-style-type: none">•Debtor exposure•Depressed margins	<ul style="list-style-type: none">•Government announced support for infrastructure•Large infrastructure projects in WA and Qld•FX of A\$ stable at relatively high levels	<ul style="list-style-type: none">•Lower cost base•Project opportunity•Increased Asian sourcing

FUTURE

- Trading Outlook

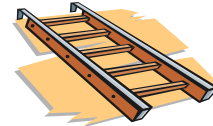


Fluids



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External	Internal
<ul style="list-style-type: none">•Economic recovery stalls “double dip” possibility	<ul style="list-style-type: none">•Lower sales drives need to restructure

External	Internal
<ul style="list-style-type: none">•Large market share growth potential	<ul style="list-style-type: none">•Complementary product ranges•Project opportunities

FUTURE

- Trading Outlook

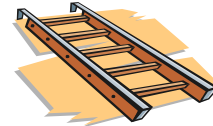


Cabinet & Furniture Hardware (Artia)



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External	Internal
<ul style="list-style-type: none">•GFC adversely impacting discretionary spend•Viability of customers (joiners / furniture makers)•Building lull	<ul style="list-style-type: none">•Debtor exposure•Slower than desired inventory reduction

External	Internal
<ul style="list-style-type: none">•Great market share potential	<ul style="list-style-type: none">•Restructured cost base•Improved Distribution Centre capability

FUTURE

- Trading Outlook

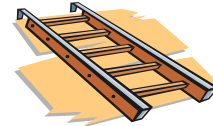


New Zealand



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External	Internal
<ul style="list-style-type: none">•Declining manufacturing segments	

External	Internal
<ul style="list-style-type: none">•Closer economic ties with Australia•Economic improvement	<ul style="list-style-type: none">•Standardised systems with Australia•Oracle will bring control benefits

Disclaimer



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