Coventry Group Ltd

ABN 37 008 670 102

Results for Half-Year Ended 31 December 2004

Chris Glenn
Managing Director

Stephen Cooper
Chief Financial Officer

Coventry Group Ltd

Results Summary

- Net profit before tax and significant items of $8.8M (2003: $10.7M)
- Earnings before interest, tax and significant items down 17% to $9.5M.
- Interim dividend of 18 cents fully franked, up from 16 cents, fully franked.

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Financial Overview

$M	FY03	FY04 H1	FY04 H2	FY04 TOTAL	FY05 H1	% Change
Sales	415.5	217.0	216.9	433.9	238.4	9.9 ↑
EBITA (before significant items)	20.6	12.2	12.5	24.7	10.6	13.1 ↓
Tax	6.0	3.2	3.6	6.8	2.6	
Net Profit After Tax (before outside equity interest)	10.9	7.5	7.7	15.2	9.9	32.0 ↑
EPS – cents	31.5	21.1	21.4	42.5	27.6	30.8 ↑

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Financial Overview (continued)

		FY04			FY05
	FY03 %	**H1* %**	**H2* %**	**TOTAL %**	**H1* %**
EBITA/sales	4.9	5.6	5.8	5.7	4.4
Return on Capital Employed (EBITA/equity + net debt)	11.0	13.0	13.7	13.6	10.1
Return on Equity (NPAT/equity)	6.6	9.0	9.0	9.0	7.0

* Ratios are annualised where appropriate and are before significant items.

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Cash Flow and Gearing

	FY03 $M	FY04 $M		FY05 $M
		H1	H2	H1
Operating Cash Flow	22.4	9.5	10.7	2.9
Closing Net Interest Bearing Debt	23.3	21.4	12.5	32.4
Closing Equity	162.8	166.1	169.9	176.0
Net Debt/Equity	14.3%	12.9%	7.3%	18.4%
Interest Cover (EBITA before significant items/net interest)	11.1	17.3	26.5	15.2

- Reduction in operating cash flow due to temporary increase in industrial inventory ahead of steel price-related cost increases ($4M), and decision to hold more stock at WA auto branches ($1.5M).
- Increase in debt reflects funding of automotive acquisitions and overall increase in working capital.
- Proceeds from sale of Morley property of $16M due on 1 June 2005.

Dividends

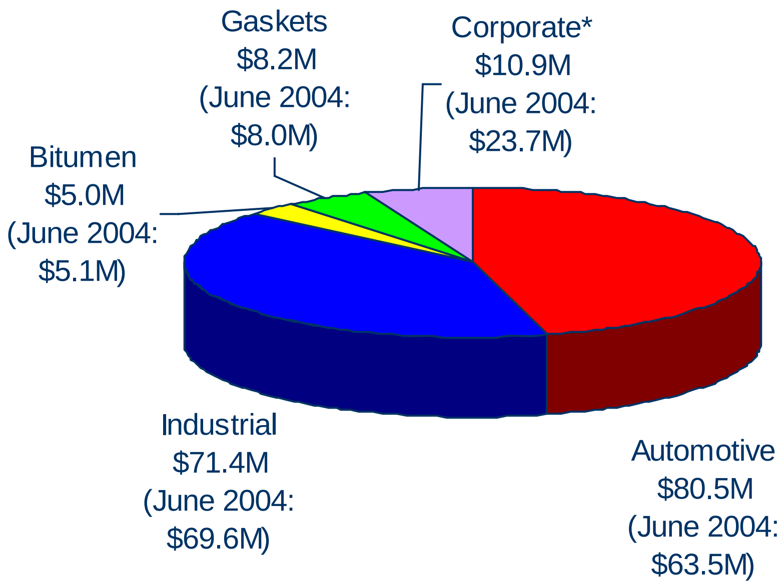
	FY03	FY04		FY05
		H1	H2	H1
EPS – cents	31.5	21.1	21.4	17.0*
Dividend per share – cents	30.0	16.0	18.0	18.0
Franking	100%	100%	100%	100%

* Excluding gains from property sales.

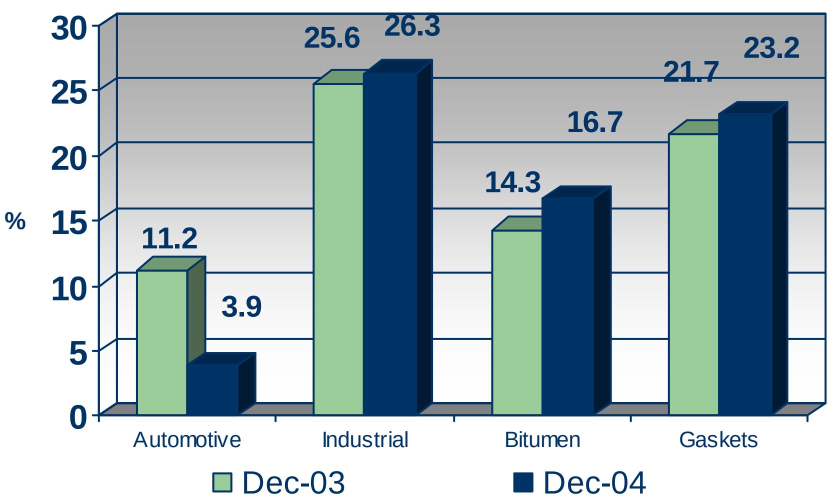
- Current policy is to distribute high proportion of profits.
- Dividend reinvestment plan suspended for the time being.
- Franking account balance of $25.8M after payment of interim dividend.

Capital Employed

CAPITAL EMPLOYED - 31 DECEMBER 2004



RETURN ON CAPITAL EMPLOYED %



Capital Employed =
Assets – Creditors and Provisions

Return on Capital Employed =
EBITA/Capital Employed

* Includes land and buildings and net debt

Capital Employed (continued)

	FY03	FY04	FY05 H1
Capital expenditure	$8.6M	$7.2M	$4.9M
Annual stock turns	3.1 turns	3.2 turns	3.2 turns
Days sales in trade debtors	54 days	56 days	52 days

- Higher level of capital expenditure due to purchase of regional manager's residence ($0.5M), "in-sourcing" of NSW auto parts delivery service ($0.4M), and higher than normal vehicle fleet renewal ($0.3M).

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Automotive

$M	FY03	FY04			FY05	% Change
		H1	H2	TOTAL	H1	
Sales	227.6	118.2	122.2	240.4	137.0	15.9 ↑
EBIT *						
- Parent (WA/SA/NT)	9.4	5.8	5.4	11.2	4.1	29.3 ↓
- CAP (NSW/QLD)	(5.8)	(2.4)	(1.7)	(4.1)	(2.9)	20.8 ↓
	3.6	3.4	3.7	7.1	1.2	
EBIT/Sales Margin	1.6%	2.9%	3.0%	2.9%	0.9%	

* Before significant items (nil in 2005).

Automotive

- WA
  - Achieved strong sales growth but at weaker margins due to sales mix (Holden dealer business and greater mining supply sales), and aggressive price competition for trade sales.
  - New State Manager appointed and senior management reorganisation completed. This will provide greater focus on operational efficiency and profitable sales growth.
  - Successfully retained Rio Tinto industrial consumables supply contract at improved margins (estimated annual sales of $11M).

Automotive (continued)

- SA
  - Modest sales growth but low margins negatively impacted result.
  - Pricing and sales mix strategies have been implemented to improve margins for the second half.
- NT
  - Improved margins achieved at Independent Motor Mart post-acquisition, but sales marginally below expectations.
  - Southcott Alice Springs business acquired and will trade as Independent Motor Mart from 1 March 2005. Current annual sales of $1.3M.

Automotive (continued)

Coventry Auto Parts

- New General Manager appointed with sole focus on CAP business.
- NSW
  - Annual cost savings of $1M will result from restructuring initiatives implemented during the first half and in January 2005.
  - Blacktown distribution centre has been closed and absorbed into existing Liverpool site.
  - Smithfield and Mascot branches have been downsized and relocated to lower cost premises.
  - Small branch opened at Seven Hills to service former Blacktown branch customers.

Automotive (continued)

- NSW (continued)
  - Contract delivery service has been brought “in-house” to reduce costs and improve customer service.
- QLD
  - Thompson’s Spare Parts/Rod Smith Parts & Bearings business purchased on 1 July 2004 now fully integrated. Duplicated back-office functions now eliminated.
  - Aggressive competitor activity has impacted sales.
  - Autopro Toowoomba business acquired on 1 February 2005.

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Industrial

$M		FY04			FY05	% Change
	FY03	H1	H2	TOTAL	H1	
Sales	165.3	88.4	83.3	171.7	90.5	2.4 ↑
EBIT	13.7	8.1	7.8	15.9	8.7	7.4 ↑
EBIT/Sales Margin	8.3%	9.1%	9.3%	9.2%	9.6%	

Industrial

- Softer sales growth reflects mixed performance across the regions. Good growth achieved in Victoria and New Zealand, but slight sales decline from other Australian states. Queensland sales impacted by lower project activity and South Australia by lower manufacturing activity.
- Margins have continued to improve as benefits of centralised purchasing are realised.
- Greater competition has continued from smaller players, both for sales and experienced staff.
- Lower construction sector demand will inhibit sales growth.
- Focus on operational efficiency will continue.

Bitumen

$M	FY03	FY04			FY05	% Change
		H1	H2	TOTAL	H1	
Sales	13.6	5.9	7.1	13.0	6.3	6.8 ↑
EBIT	1.4	0.4	0.9	1.3	0.4	-
EBIT/Sales Margin	10.7%	6.2%	13.3%	10.1%	6.6%	

- Emulsion spraying business continuing to achieve strong volumes.
- Asphalt business forecasting higher second half sales from recent local government contract wins, the launch of recycled asphalt product – Eco Grade™, and the traditional seasonal impact.

Gaskets

$M	FY03	FY04 H1	FY04 H2	FY04 TOTAL	FY05 H1	% Change
Sales	12.5	6.4	6.0	12.4	6.7	4.7 ↑
EBIT	1.2	0.9	0.9	1.8	1.0	11.1 ↑
EBIT/Sales Margin	9.9%	13.3%	16.1%	14.6%	14.3%	

- Continued focus on production efficiency has resulted in good margins being maintained.

Strategy

- Operations
  - Information and Communications Technology:
    - Information and Communication Technology strategy in place
    - Disaster Recovery project completed
    - ERP scoping study completed March 2005

Strategy

- Operations (continued)
  - Distribution Centre Review
    - Morley site sold for $16M
    - 5 suitable sites identified
  - Centralised Purchasing
    - Implemented in Automotive and Industrial
    - Leverage size and buying power of Automotive business

Strategy

- Operations (continued)
  - Human Resources
    - Training and development programme rolled out
    - Succession planning
    - Staff retention
  - Business process improvement initiatives
    - Stock accuracy
    - Stock mix and location
    - Supply chain

Strategy

- Growth
  - Organic sales growth focus
  - Bolt-on acquisition growth
  - Larger acquisition opportunities in existing businesses – currently expensive
  - Acquisition opportunities which leverage the company's core competencies

Strategy

- Outlook
  - Ongoing focus on underperforming business units
  - Stronger trading in second half
  - Automotive WA buoyant
  - CAP improvement with a lower cost base
  - Industrial easing with slow construction activity
  - Bitumen improving and Gaskets steady