# Coventry Group Ltd

ABN 37 008 670 102

## Results for Six Months Ended

## 31 December 2002

*Presentation by*

*Chris Glenn, Managing Director*

*and*

*Stephen Cooper, Chief Financial Officer*

# Result Highlights

- Net profit before tax and significant items up $3.1 million to $8.3 million.
- EBIT (before significant items) up 55% to $9.3 million.
- EPS up strongly to 14.7 cents.
- Consolidated EBIT/sales margin up to 4.4% from 3.1%.
- Sales revenue up 9% to $211.3 million.
- Net interest cover up to 9.5 times from 7.2 times.
- Interim dividend of 14 cents, fully franked, up from 8 cents, fully franked.

# Financial Overview

| $M | FY01 | FY02 H1 | FY02 H2 | FY02 TOTAL | FY03 H1 |
|---|---|---|---|---|---|
| Working Capital | 110.7 | 112.2 | 111.5 | 111.5 | 109.3 |
| Non-current assets | 98.6 | 98.0 | 94.8 | 94.8 | 91.9 |
| Capital employed | 158.4 | 156.6 | 155.9 | 155.9 | 161.3* |
| | | | | | |
| Sales | 359.5 | 194.1 | 200.4 | 394.5 | 211.3 |
| EBITDA | 16.1 | 10.1 | 14.3 | 24.4 | 13.4 |
| Depreciation | 6.2 | 3.3 | 3.2 | 6.5 | 3.1 |
| EBITA | 9.9 | 6.8 | 11.1 | 17.9 | 10.3 |
| Amortisation | 1.1 | 0.8 | 0.9 | 1.7 | 1.0 |
| EBIT | 8.8 | 6.0 | 10.2 | 16.2 | 9.3 |
| Interest | 0.8 | 0.8 | 1.0 | 1.8 | 1.0 |
| Profit before tax | 8.0 | 5.2 | 9.2 | 14.4 | 8.3 |
| Significant items before tax | 5.2 | (1.7) | (1.8) | (3.5) | - |
| Tax | 6.0 | 3.0 | 4.1 | 7.1 | 3.3 |
| Profit after tax | 7.2 | 0.5 | 3.3 | 3.8 | 5.0 |
| EPS – cents | 21.9 | 2.8 | 10.6 | 13.4 | 14.7 |

* Does not include provision for dividend due to new accounting standard

# Financial Overview

- Sales growth continues, particularly in industrial products.
- Reduction in non-current assets due to sale of property (used to retire debt).
- No further closure costs for CAP Victoria.
- Effective tax rate has reduced to 40%, and should reduce further with grouping of CAP losses for full reporting periods in future.
- $6 million of future tax benefits (not booked) to be realised over several years, arising from accumulated CAP tax losses.

# Key Ratios

| | FY01 | FY02 H1 | FY02 H2 | FY02 TOTAL | FY03 H1 |
|---|---|---|---|---|---|
| **Profitability ratios *** | | | | | |
| EBITDA/Sales | 4.5% | 5.2% | 7.1% | 6.2% | 6.3% |
| EBITA/Sales | 2.8% | 3.5% | 5.5% | 4.5% | 4.9% |
| EBIT/Sales | 2.4% | 3.1% | 5.1% | 4.1% | 4.4% |
| EBIT/Net interest expense (times) | 10.6 | 7.2 | 10.2 | 8.8 | 9.5 |
| **Return ratios *** | | | | | |
| Return on assets | 3.9% | 5.4% | 8.8% | 7.2% | 8.2% |
| Return on capital employed | 6.2% | 8.8% | 14.2% | 11.5% | 12.7% |
| **Gearing** | | | | | |
| Net debt/total assets | 10.1% | 13.7% | 14.3% | 14.3% | 13.1% |
| Net debt/equity | 16.2% | 22.3% | 22.9% | 22.9% | 20.3% |

- Net profit margins up in automotive and industrial businesses.
- Key ratios reflect improving operating performance

* Before significant items

# Dividends

| | FY01 | FY02 H1 | FY02 H2 | FY02 TOTAL | FY03 H1 |
|---|---|---|---|---|---|
| EPS – cents | 21.9 | 2.8 | 10.6 | 13.4 | 14.7 |
| Dividend per share – cents | 30.0 | 8.0 | 12.0 | 20.0 | 14.0 |
| Franking % | 100% | 100% | 100% | 100% | 100% |

- High interim dividend payout, but fully covered by earnings.
- Current policy is to distribute high proportion of earnings.
- Dividend reinvestment plan has been reactivated.
- Franking account balance of $23 million.

# Automotive Parts Distribution

| $M | FY01 | FY02 H1 | FY02 H2 | FY02 TOTAL | FY03 H1 |
|---|---|---|---|---|---|
| Working Capital | 58.4 | 60.6 | 56.5 | 56.5 | 55.6 |
| Non-current assets | 48.7 | 47.3 | 45.9 | 45.9 | 45.3 |
| Capital employed | 105.9 | 106.7 | 100.9 | 100.9 | 99.3 |
| | | | | | |
| Sales | 202.9 | 105.9 | 108.5 | 214.4 | 113.9 |
| EBITDA * | 1.4 | 1.7 | 4.0 | 5.7 | 3.5 |
| Depreciation | 2.8 | 1.4 | 1.3 | 2.7 | 1.3 |
| EBITA * | (1.4) | 0.3 | 2.7 | 3.0 | 2.2 |
| Amortisation | - | 0.1 | 0.1 | 0.2 | 0.2 |
| EBIT * | (1.4) | 0.2 | 2.6 | 2.8 | 2.0 |
| -Parent | 6.2 | 4.0 | 6.3 | 10.3 | 5.2 |
| -CAP | (7.6) | (3.8) | (3.7) | (7.5) | (3.2) |
| | | | | | |
| EBIT/Sales Margin * | (0.7%) | 0.1% | 2.4% | 1.3% | 1.8% |

* Before significant items

# Automotive Parts Distribution

- EBIT up strongly, but ongoing losses of CAP are having a significant impact.
- Sales up 7%, and EBIT up 31%, in established WA and SA businesses.
- Acquired full ownership of CAP.
- Opened new branch in Buranda, Queensland and acquired Motor Torque business in Cairns.
- New management structure now in place in New South Wales.

# Industrial Product Distribution

| $M | FY01 | FY02 H1 | FY02 H2 | FY02 TOTAL | FY03 H1 |
|---|---|---|---|---|---|
| Working Capital | 41.9 | 42.8 | 42.7 | 42.7 | 43.3 |
| Non-current assets | 33.7 | 33.2 | 32.4 | 32.4 | 31.2 |
| Capital employed | 74.8 | 75.2 | 74.2 | 74.2 | 73.6 |
| | | | | | |
| Sales | 128.7 | 75.7 | 77.1 | 152.8 | 85.5 |
| EBITDA | 11.4 | 7.6 | 8.3 | 15.9 | 9.5 |
| Depreciation | 2.2 | 1.2 | 1.2 | 2.4 | 1.2 |
| EBITA | 9.2 | 6.4 | 7.1 | 13.5 | 8.3 |
| Amortisation | 1.2 | 0.8 | 0.7 | 1.5 | 0.7 |
| EBIT | 8.0 | 5.6 | 6.4 | 12.0 | 7.6 |
| | | | | | |
| EBIT/Sales Margin | 6.2% | 7.5% | 8.2% | 7.8% | 8.8% |

# Industrial Product Distribution

- 13% sales growth, driven by demand from infrastructure projects in WA and QLD.
- Net profit margin continues to improve through better purchasing, improved sales mix and value added service.
- Construction fastener business, Infix, continues to grow with opening of first Victorian branch at Clayton.
- Hylton Parker Fasteners (NZ) opens new branches at Mt Wellington (Auckland) and Nelson.
- Integration of previously separate North and South Island businesses of Hylton Parker Fasteners (NZ) completed.

# Bitumen Products

| $M | FY01 | FY02 | | | FY03 |
|---|---|---|---|---|---|
| | | H1 | H2 | TOTAL | H1 |
| Working Capital | 1.8 | 2.1 | 1.7 | 1.7 | 1.7 |
| Non-current assets | 2.7 | 3.1 | 2.8 | 2.8 | 3.1 |
| Capital employed | 4.4 | 5.1 | 4.4 | 4.4 | 4.8 |
| | | | | | |
| Sales | 16.4 | 6.4 | 8.4 | 14.8 | 6.9 |
| EBITDA | 3.2 | 1.0 | 1.8 | 2.8 | 1.0 |
| Depreciation | 0.5 | 0.2 | 0.3 | 0.5 | 0.2 |
| EBITA | 2.7 | 0.8 | 1.5 | 2.3 | 0.8 |
| Amortisation | - | - | - | - | - |
| EBIT | 2.7 | 0.8 | 1.5 | 2.3 | 0.8 |
| | | | | | |
| EBIT/Sales Margin | 16.1% | 11.3% | 18.5% | 15.4% | 11.5% |

# Bitumen Products

- Seasonal business – second half usually stronger.
- Flat performance in a competitive market.
- Production cost savings to flow from new asphalt plant to be operational in May 2003 (joint facility with CSR Emoleum).
- Increase in bitumen price will put pressure on net profit margins.

# Gasket Manufacturing

| $M | FY01 | FY02 H1 | FY02 H2 | FY02 TOTAL | FY03 H1 |
|---|---|---|---|---|---|
| Working Capital | 6.6 | 7.1 | 7.1 | 7.1 | 5.9 |
| Non-current assets | 3.4 | 3.5 | 3.5 | 3.5 | 3.5 |
| Capital employed | 10.0 | 10.6 | 10.3 | 10.3 | 9.4 |
| | | | | | |
| Sales | 14.1 | 7.1 | 7.7 | 14.8 | 6.7 |
| EBITDA | 2.4 | 1.0 | 1.4 | 2.4 | 0.9 |
| Depreciation | 0.4 | 0.2 | 0.2 | 0.4 | 0.3 |
| EBITA | 2.0 | 0.8 | 1.2 | 2.0 | 0.6 |
| Amortisation | - | - | - | - | - |
| EBIT | 2.0 | 0.8 | 1.2 | 2.0 | 0.6 |
| | | | | | |
| EBIT/Sales Margin | 13.9% | 11.8% | 15.6% | 13.8% | 9.6% |

# Gasket Manufacturing

- Revenue down due to loss of major supply contract.
- Net profit margin affected by restructuring costs associated with the above, and additional marketing costs.
- A large proportion of lost revenue has now been replaced.

# Outlook

- Continued growth in number of registered vehicles should underpin automotive parts business.
- Positive outlook for industrial business, with ongoing demand from infrastructure developments.
- WA bitumen market to remain competitive, but production cost savings will assist profitability.
- Further work required before CAP achieves profitability.

# Trading Names

| Automotive | Industrial | Bitumen | Gaskets |
|---|---|---|---|
| Coventrys | Coventry Fasteners | Hot Mix | AA Gaskets |
| Motor Traders | Infix | Bitumen Emulsions | NZ Gaskets |
| Coventry Auto Parts | Queensland Fasteners | | |
| | Sweetman Fasteners | | |
| | Top End Fasteners | | |
| | Universal Fasteners | | |
| | Associated World Bearings | | |
| | Cooper Fluid Systems | | |
| | Coventry Fluid Systems | | |
| | Hylton Parker Fasteners (NZ) | | |