

ASX RELEASE**2022 Half Year Results****24 February 2022****Highlights**

- Trading performance improved during H1 FY22 with the Group delivering growth in both EBITDA and EBIT despite COVID-19 related revenue impacts.
- Group sales growth for H1 FY22 of 13.9% compared with the prior corresponding period (pcp). Group sales at \$157.0m (\$137.8m H1 FY21). This growth was achieved despite the negative impact of an enforced New Zealand Government Alert 4 lockdown which we estimate negatively impacted sales in the order of \$3.0m.
- Despite an estimated loss of \$750k of EBITDA due to the enforced lockdown in New Zealand, Group EBITDA of \$7.3m (\$7.0m H1 FY21). Proforma EBITDA up 15% compared with the pcp.
- Statutory net profit for the half year \$2.4m (\$1.1m H1 FY21).
- The Group has a solid balance sheet with Net Tangible Assets of \$39.5m and Net Assets of \$111.1m as at 31 December 2021.
- Net debt of \$26.9m as at 31 December 2021 (\$16.3m as at 30 June 2021), predominantly as a result of increasing inventory by \$11.3m due to price inflation and planned increases in stock levels to mitigate supply chain issues.

Robert Bulluss, Group CEO and Managing Director of Coventry Group said,

“The Group delivered pleasing sales and profit growth in H1 FY22. This was despite the negative impact of the enforced New Zealand Government Alert 4 lockdown in Auckland which we estimate negatively impacted sales in the order of \$3.0m and EBITDA in the order of \$750k.”

COVID-19

All business units are operating with COVID-safe plans. We are managing the impact of supply chain issues, stock shortages, labour shortages and significant price inflation including maintaining above normal inventory levels.

Sales Growth

Percentage sales growth change for H1 FY22 when compared with the pcp is shown below:

Sales change	H1 FY22 vs H1 FY21 % sales change
Fluid Systems (FS)	+15.0%
Trade Distribution (TD)	+12.5%
Consolidated Group	+13.9%

Note 1: EBIT and EBITDA exclude the impact of AASB 16 – Leases

Segment commentary

- Fluid Systems (FS) sales up 15.0% on the pc. H1 FY21 included \$5.0m sales from the large \$7.9m order delivered in FY21. EBITDA for FS was \$6.3m compared to \$6.7m in H1 FY21.
- Trade Distribution (TD) sales up 12.5% on the pc. Konnect and Artia Australia up 19.6% on the pc. EBITDA for TD was \$7.6m compared to \$5.7m in H1 FY21.

Net Debt Position

Net debt as at 31 December 2021 of -\$26.9m (Net debt as at 30 June 2021 of -\$16.3m). Net Debt was impacted by:

- Increased inventory levels during the half of \$11.3m as a result of price inflation and to ensure high customer service levels while there are supply chain issues resulting from the COVID-19 pandemic.
- Capital expenditure of \$2.3m.

Our priority has been to maintain service levels to our customers during unprecedented uncertainty. During FY22 we will continue to take action to prudently manage inventory levels, collections and operating costs to improve our cash position.

Balance Sheet

The Group has a solid working capital position with Current Assets exceeding Current Liabilities by \$34.0m at 31 December 2021.

The Group has a solid balance sheet with Net Tangible Assets of \$39.5m and Net Assets of \$111.1m as at 31 December 2021.

Dividends

The Board has determined that no interim dividend be declared. The Board holds the view that in the context of current capital needs, a single final dividend is appropriate. The Company recommenced payment of a final dividend in FY21 and it is the Board's plan that this occurs in FY22 and in following years subject to the earnings and financial position of the Company.

Appointment of new Director

The Board is pleased to announce the appointment of Mr Alex White as a Non-Executive Director of the Company effective 1 March 2022.

Alex is a Director of Richmond Hill Capital and is jointly responsible for managing its RH High Conviction Fund.

Alex has over fifteen years of corporate and investment management experience and prior to co-founding Richmond Hill Capital, he was jointly responsible for the portfolio management of the VF High Conviction Fund at Viburnum Funds for six years. Richmond Hill Capital and Viburnum Funds are substantial shareholders of the Company holding 15.4% and 28.5% respectively. Both funds have been longstanding and strong supporters of the Company.

Previously, Alex spent three years with Cooper Investors with a focus on investment research and prior to that had roles with Fletcher Building as a Strategy Analyst and Standard and Poor's as a Credit Analyst.

Alex is a Non-Executive Director of MOQ Digital (ASX:MOQ) and HRL Holdings (ASX:HRL).

Outlook

The markets in which FS and TD operate are to date performing well in FY22. Whilst pleased to report continuing positive performance, we are not providing FY22 guidance due to continuing COVID-19 uncertainty.

Authorised for release by the Board of Directors of Coventry Group Limited.

For further information contact:

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