COVENTRY GROUP LTD

ABN 37 008 670 102

Results for Half Year Ended 31 December 2008

Roger Flynn
Executive Chairman

Tony Hockley
Chief Financial Officer

20 FEBRUARY 2009

SYNOPSIS

BUSINESS PROFILE: Industrial Distribution

PAST	PRESENT	FUTURE
• Tough ’07 & ’08 • Actions taken key to survival	• Continuing debt reduction • Continuing operational improvements • Becoming more outward looking • Countered by economic crash • Inherent value remains but not recognised by market • Dollars for the period	• Aim to grow the business & shareholder returns • Trading outlook

BUSINESS PROFILE

LEADING DISTRIBUTOR OF:

- **Fasteners**
- **Automotive aftermarket parts (including manufactured gaskets)**
- **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**

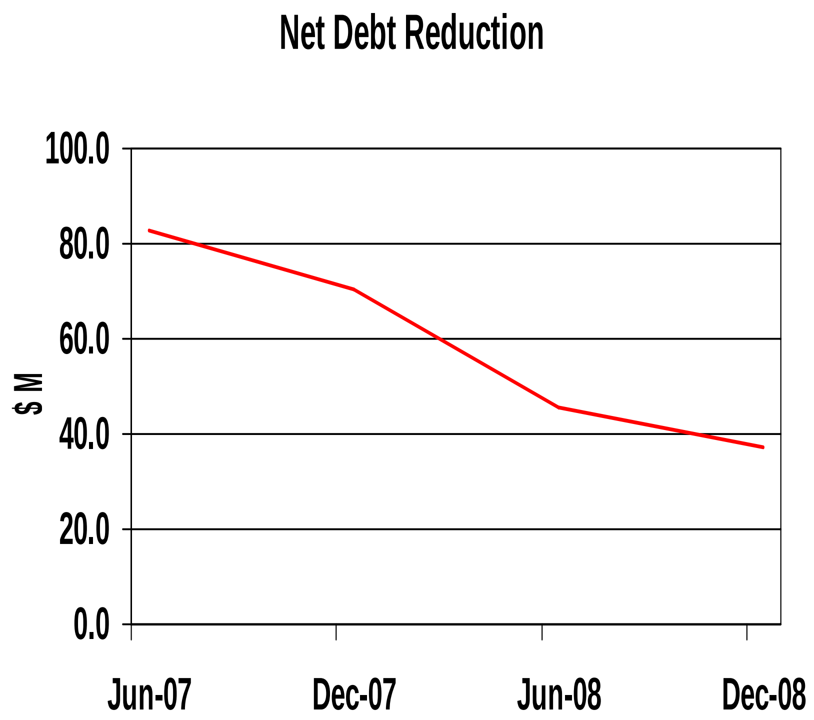

Coventry Fasteners
Australia's Fastener Specialists
Hylton Parker Fasteners
New Zealand's Fastener Specialists
AM-TECH
FASTENINGS & COMPONENTS
Infix
KONNECT
COOPER
FLUID SYSTEMS
artia
Specialists in Cabinet and Furniture Hardware
Fasteners
GRACO
TOOLS
& MORE
VISITORS


Coventrys
Automotive, Mining and Industrial Supplies
COREtech
crossfire
GASKETS
Motor Traders
Automotive Parts, Tools and Equipment
permaseal
quality automotive gaskets
aa gaskets
nz gaskets
LIMITED
Drivetrain
Truck and Trailer Parts Specialists
CGL
TOOLS

PAST '07 & '08 Survival Actions

1. Net **debt** reduced from peak of $83m to $37m by:
   - Halting dividends
   - Minimizing CAPEX
   - Sale of businesses without potential
   - Sale of freehold properties / motor vehicle fleet
   - Plus profit & working capital actions with some success

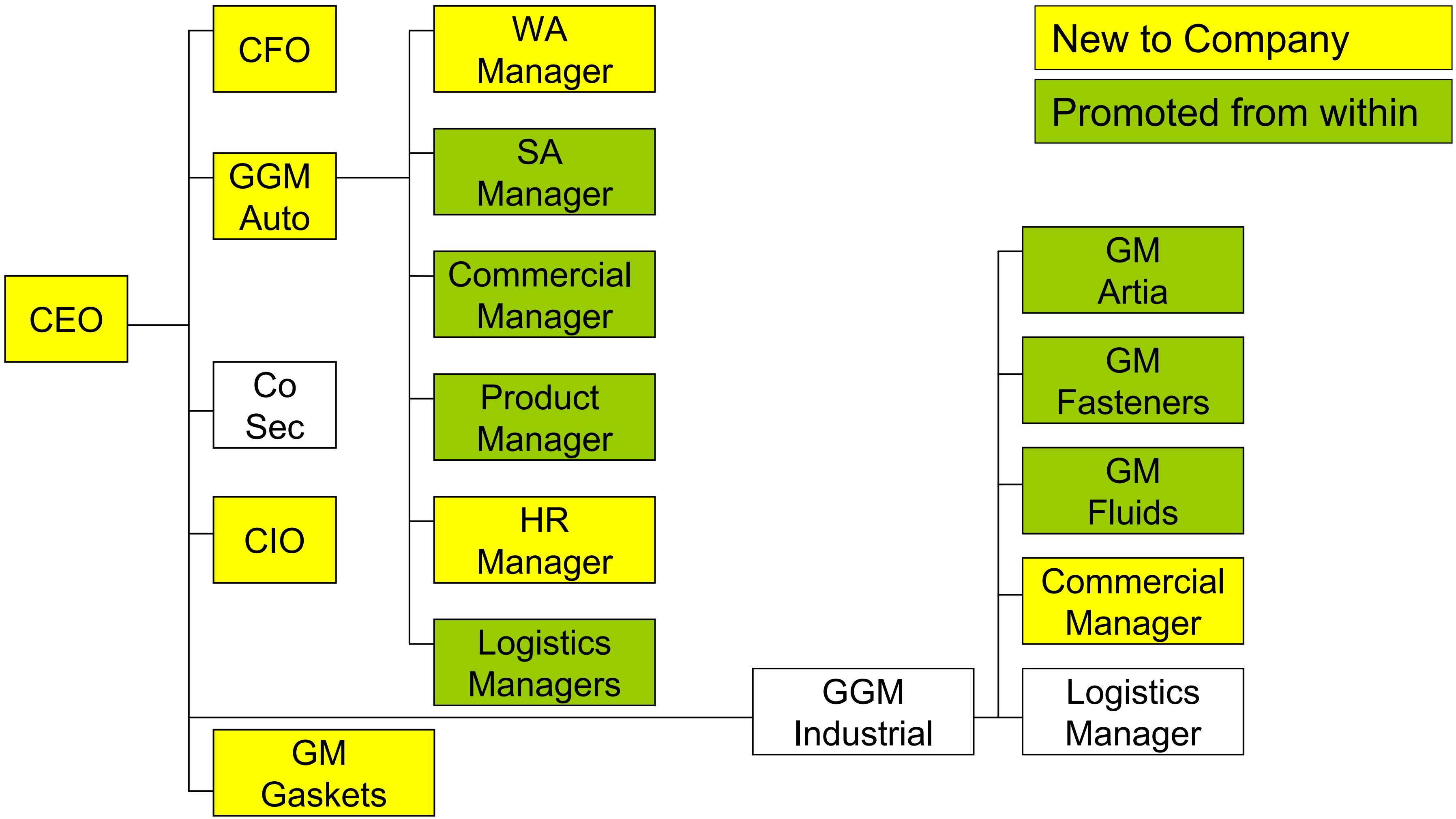
   Debt : Equity % June '07 45%
   Dec '08 22%



PAST

’07 & ’08 Survival Actions

2. Fresh **leadership** matched to tasks



PAST

’07 & ’08 Survival Actions

- Correct & complete transitions
  - Systems transitions
  - Relocations
  - Managing the Balance Sheet
  - Selling surplus/under-performing assets
  - Taking the “hits” – impairment, IT write-off’s, provisions
  - Critical review of under-performing businesses & consequent restructures
  - Culture change

PRESENT - Continuing Debt Reduction

- Net Debt 31.12.08 = $37m
- Real Estate Owned 31.12.08 = $15m at Book
  = $36m at March'08 appraisal
  - Willing buyers but unwilling property lenders slowing sales
  - Rental yield expectations yet to moderate relative to interest rates
- Net Debtors of $74m - $10m of this "Excessive"
- Net Stock of $107m - $20m of this "Excessive"
  - But FX impacts hitting replacement stock cost
- Depreciation $4m vs CAPEX of $5m in F'09 but this includes $3m re Compass which will not recur in F10

PRESENT - Continuing Operational Improvements

- Service Levels → Market Share
- Better Sourcing – COGS our dominant cost (60% of Sales $)
- Rationalise Costs - People (55% of expenses) (Our No. 2 Cost)
  - Sites (6% of expenses)
- Optimise Pricing Structure

ANNUAL EBIT SENSITIVITIES

- 1% Change in

Selling price changes EBIT by	$4.5m
Buying price	$2.7m
Sales volume	$1.8m
People productivity	$1.0m
Interest Rate (if unhedged)	$0.4m
All other expenses	$0.7m

PRESENT - Becoming More Outward Looking

- Facing our customers & suppliers for mutual benefit
- Improving after being too internalised
- Reviewing each of our 116 locations to align network to real customer needs

PRESENT - Being Countered by Economic Crash

- Sales are customer "need" driven

<u>AND</u>

- hesitancy by all particularly felt from November '08
- Actual & potential deferment of infrastructure projects (particularly WA/Qld resource base)

<u>BUT</u>

- New car "bubble" from 3-4 years ago brings service potential
- Current new car depression means greater service/repair potential
- Impact of Federal/State infrastructure spending should be positive

<u>SO</u>

- will return to historic profitabilities:

EBIT : Revenue

Auto	5% by F11
Industrial	9% F10/11
Gaskets	15% F10/11

PRESENT - **Inherent Value Unrecognised**

	Coventry	Similar Coys
Feb '09		
Market E.V. : NTA	0.5	1.5
Market CAP : NTA	0.3	1.2
Market E.V. : Revenue	0.2	0.4
Market E.V. : EBITDA	5.1	4.4

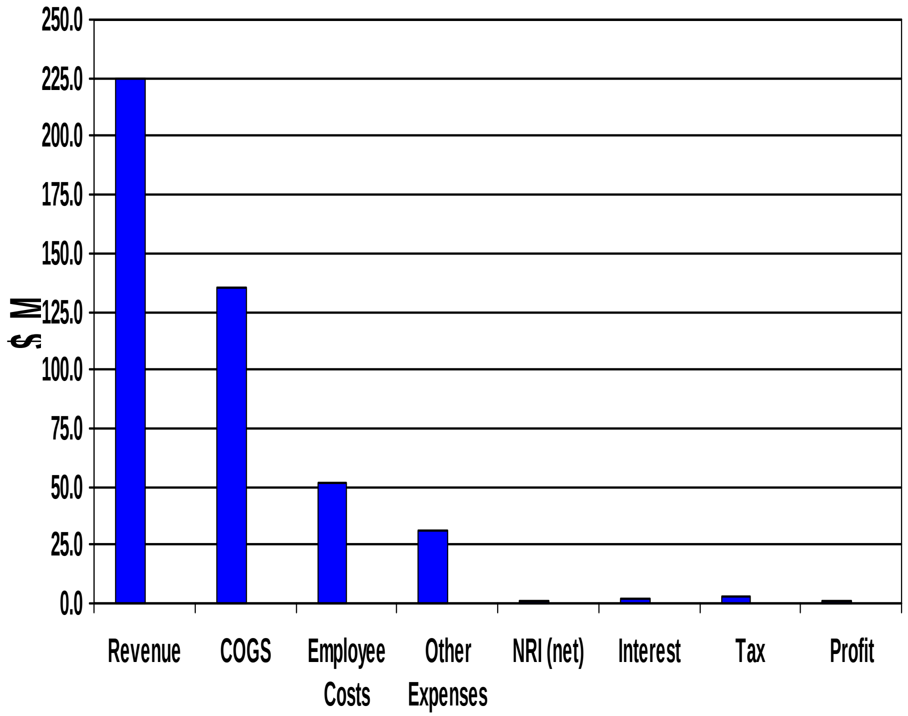
Sequitur of the Disconnect:

CYG is way undervalued when it returns to even modest EBIT : Sales

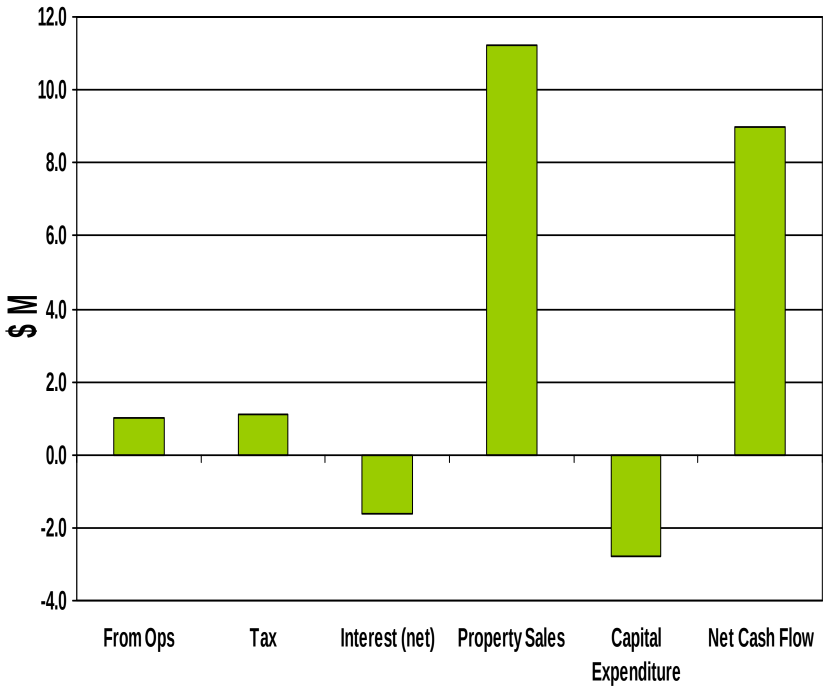
PRESENT - $’s for the Period

P & L

(Continuing Operations)



Cashflow



PRESENT

-$’s for the Period
Segment Analysis

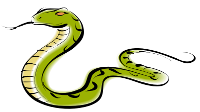
$M	Industrial	Auto	Gaskets
Revenue	138.4 ↑	82.5 ↓	5.9 ↓
EBIT – normalised	9.9 ↓	(3.3) ↓	0.9 ↓
EBIT/Revenue %	7.2% ↓	- ↑	15.7% ↓
Capital Employed	111.7 -	55.3 ↓	9.5 -
ROCE %	15.8% ↓	- ↑	19% ↓
	• Impact of GFC felt Nov/Dec • Certain areas strong e.g. NSW re Desal plant	• Still below HY08 because Jul/Aug 07 strong • Gradual improvement in sales/margin • SA now positive • Operational improvements	• NZ business hurt by recession • Australian business continues to perform

FUTURE - Growth Path

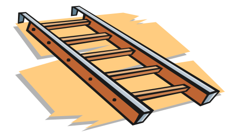
- Organic
  - Customers
  - Products
  - Locations
- Complimentary acquisitions matched to our:
  - Knowledge/skills
  - Capacity to fund
- Active capital management
- Current Bank facilities next due for renewal January 2010. (They were renewed during H1)

FUTURE - Trading Outlook

Auto & Gaskets



SNAKES &



LADDERS

SNAKES

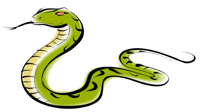
External	Internal
•Dealer viability (Finance) •Financial woes of car makers •Depressed resource sector re mining supply •Vehicle service deferrals	•Debtor exposure •Slower than desired inventory reduction

LADDERS

External	Internal
•New car bubble of early 2000's requiring service •Lower new car sales means older cars being serviced/repaired	•Lower cost base •Recovering lost sales •Improved service levels •Revitalised sales team •Increased Asian sourcing

FUTURE - Trading Outlook

Fasteners



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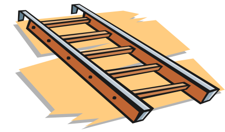
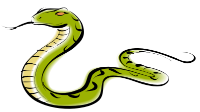


LADDERS

SNAKES		LADDERS	
External	Internal	External	Internal
•GFC impacting resource related infrastructure / manufacturers •FX drop of A$ raises our product costs •Resource Co's viability	•Debtor exposure •Slower than desired inventory reduction •Depressed margins	•Government announced support for infrastructure •Steel price drops reduces fastener costs	•Lower cost base •Project opportunity •Increased Asian sourcing

FUTURE - Trading Outlook

Fluids



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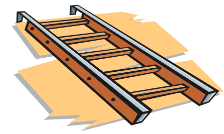


LADDERS

SNAKES

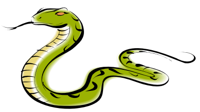
External	Internal
•GFC impacting key markets, especially Kalgoorlie & Auto sectors	•Lower sales drives need to restructure •Introduction of Oracle disruption

LADDERS

External	Internal
•Certain market sectors still buoyant •Large market share growth potential	•Oracle system will give control benefits longer term

FUTURE - Trading Outlook

Cabinet & Furniture Hardware (Artia)



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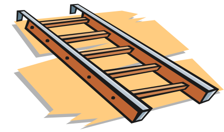


LADDERS

SNAKES

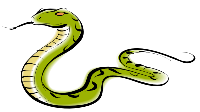
External	Internal
•GFC adversely impacting discretionary spend •Viability of customers (joiners / furniture makers) •Building lull	•Debtor exposure •Slower than desired inventory reduction

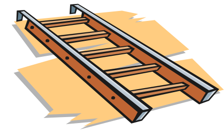
LADDERS

External	Internal
•New housing boost •Great market share potential	•New General Manager brings greater disciplines / business acumen •Restructured cost base

FUTURE - Trading Outlook

New Zealand



SNAKES &  LADDERS

SNAKES: External	SNAKES: Internal	LADDERS: External	LADDERS: Internal
•Economy in recession •Declining manufacturing segments	•Introduction of Oracle disruption •Debtor exposure	•New Government brings consumer confidence	•Standardised systems with Australia •Oracle will bring control benefits long term

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