

25 March 2025

ASX Release

Management and Operational Update

Coventry Group Limited (ASX:CYG) provides an update on management changes and operational priorities.

Managing Director

Managing Director & Chief Executive Officer, Mr Robert Bulluss, has tendered his resignation and will leave the Company no later than 20 September 2025.

Mr Bulluss commented “Since being appointed as Chief Executive Officer in May 2017 we have re-built what was a badly broken business. Along the way almost the entire Senior Leadership Team has been renewed; a poor corporate culture has been rejuvenated; we have successfully acquired and integrated 7 accretive businesses; the implementation of a new ERP system is largely completed; and much more. It has been a challenging 8 years but I am satisfied the business is in much better shape and that we now have a solid platform for continuing sustainable profitable growth. By the end of my tenure in September 2025, with much of the transformational heavy lifting well advanced, I have formed the view that is an ideal time to hand over the leadership.”

Coventry Chairman, Mr Neil Cathie commented “On behalf of the Coventry Board I have accepted Robert’s resignation and understand his desire to step aside after a very challenging 8 years, to take a break and pursue other interests and opportunities. Robert has always demonstrated resilient and values-driven leadership and has built a Senior Leadership Team comprising talented professionals who will continue to grow the business. I have thoroughly enjoyed working with Robert throughout his tenure and sincerely thank him for his tremendous contribution and personal dedication for the benefit of the Company and its shareholders, our customers and all Coventry Team members.”

Revised Management Structure

The Board is pleased to announce Mr Nik Alpert will join the Company as Head of Trade Distribution commencing 1 April 2025. Nik has been known to Coventry for many years. He is an experienced senior executive with over 20 years of management and sales experience in large private and public distribution businesses, most recently as Group General Manager of Gulf Western Oil. Nik has a proven track record of revenue and profit growth in each of these businesses, and has operated across several industries and geographies, most recently in APAC. Additionally, Nik’s deep history in the Hydraulics and Lubrication sectors, will be a complement to our Fluid Systems division. Nik has qualifications in Electrical Engineering, Mechanical Engineering and Technology Management (MBA).

Fluid Systems' General Manager, Mr Brody Sewell, has been appointed Head of Fluid Systems. Mr Sewell has been with Coventry and Fluid Systems for over 17 years across sales, business development, national sales manager and since 2022, General Manager of Fluid Systems.

Brody and Nik will report directly to the Board, with a flatter structure allowing greater autonomy for operational leadership, improved divisional reporting and nimble decision making.

Operational Priorities

The revised management structure therefore creates an opportunity to refocus on key operational priorities.

1. Network Optimisation – Trade Distribution Australia

Existing Branches – Konnect Australia

Konnect Australia has undergone a significant turnaround in profitability from a loss-making position of -\$7.5 million in FY17 to >\$5 million annualised EBITDA¹ run-rate based on 1H25. More recently, trading initiatives have seen gross margins improve substantially in the order of 500 basis points.

Significant opportunity remains to improve profitability across the existing 42 branch footprint. Specifically, 11 branches operate with a <10% contribution margin delivering <\$0.2 million contribution². Improving profitability at these 11 branches, to be in-line with the average contribution margin achieved in the other 31 branches, would deliver incremental annual EBITDA of approximately \$2.4 million.

Branch contribution margin improvement in under-performing branches will be an initial priority of Mr Alpert. This will be complemented by ERP system efficiencies and current branch initiatives underway (supply chain and inventory optimization, relocations, relatively low-cost makeovers and selective footprint downsizing).

Greenfield Rollout

As previously announced, the Board believes a relatively large greenfield opportunity to rollout high return on capital branches exists. The group successfully launched two greenfield branches in 2024 which have delivered sales and contribution rates of \$879k at 22.1% and \$1.426m at 11.6% respectively YTD FY25.

Three greenfield branches are currently under development with completion expected by no later than 30 June 2025.

The Board believes the greenfield rollout is an appropriate growth strategy. The greenfield rollout will be paced having regard to delivery of improved profitability on existing branches (noted above), current greenfield branch performance and identification of viable branch locations.

2. Cost Opportunities

Coventry has achieved meaningful scale and relatively high gross margins. The Board has identified a range of potential cost savings to improve operating margins. These include leveraging the group's scale to deliver non-stock procurement and third-party service provider savings, post-ERP operating efficiencies and acquisition synergies yet to be extracted.

¹ Pre-AASB 16 Leases, annualising the 1H25

² Based on 1H25

Preliminary analysis indicates an opportunity of at least \$2.5 to \$3.5 million in annual savings which are immediately actionable and work has commenced to realise them. In addition, the Board believes there is an opportunity for greater savings which require scoping and analysis in order to quantify.

3. Improved Operating Cash Flow

The Board wishes to reiterate delivery of positive operating cash flow as a priority.

In the last two and a half years, over \$16 million has been invested in the ERP system implementation, weighing on operating free cash flow. In the more recent 1H25 period, operating cash flow was further impacted by a bring-forward of creditor payments to ensure supplier stability as the ERP 'went live'.

With the ERP now live, Coventry expects a meaningful improvement in positive operating cash flow. The company will also continue to benefit in this regard from the \$50 million of available tax losses in Australia.

The Board will provide shareholders with an update on all these operational initiatives, including the scope, quantum and progress on identified cost opportunities, in due course.

This announcement has been approved for release by Coventry Group Limited's Board of Directors.

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