Coventry Group Ltd

ASX RELEASE CYG – FY25 Trading Update

5th August 2025

Coventry Group Ltd (ASX: CYG) announced today an update on the Group's trading.

FY25 Group sales of $365.2m, down -1.7% on the prior year and unaudited EBITDA[1] of $12.3m, down -40.9% on the prior year.

The Group's financial performance in FY25 was poor, particularly in the second half. Sales were down year on year reflecting softer market conditions across Australia and New Zealand, the distraction and impact of the implementation of the new ERP system and a failure of sales growth strategies to deliver the anticipated results. Pleasingly, Gross Margins continued to be well managed however the Group's cost base is clearly too high relative to Gross Profit leading to poor Net Margin outcomes.

Right sizing the cost base of the Group is a key focus for the Board and management and immediate action is being taken to achieve a targeted annualised cost out of approximately $10m. FY26 will see a recalibration of the Group's cost base with every part of the business being closely scrutinised. Cost out targets have been incorporated into management incentive plans and progress against targets is being closely monitored by the Board. The cost out focus will run in parallel with initiatives to drive ongoing sales growth whilst maintaining Gross Margins.

FY25 Sales and unaudited EBITDA[1]

Sales and unaudited EBITDA[1] growth compared with the prior corresponding periods is shown below:

Segment	FY25 actual (A$m)	pcp growth (%)
Trade Distribution	217.8	+2.7%
Fluid Systems	147.4	-7.4%
Consolidated Group Sales	365.2	-1.7%
Consolidated Group Unaudited EBITDA[1]	12.3	-40.9%

Note 1: All references to EBITDA are to unaudited Pre AASB16 EBITDA before Significant Items

ERP upgrade project

The Group's new ERP Microsoft D365 is live in the Konnect (67 locations) and Fluids (15 locations) business units with plans to migrate the remaining business units, Steelmasters and Nubco, during FY26. With the benefit of trading experience informing us, fine-tuning of the new ERP is being undertaken to ensure efficiencies are extracted and the desired level of customer service is achieved. The implementation of our new ERP has been a disruptive and costly project which has impacted the Groups FY25 financial performance.

Net Debt

The Group's Net Debt at 30 June 2025 was $56.2m reflecting the impacts of poor financial performance, ERP implementation costs, a disproportionate cost base and high inventory carrying levels. Each of these factors is being addressed as a matter of urgency. We are working closely with our bank as we progress our debt reduction strategy. A new simplified corporate debt facility has been agreed in principle which significantly reduces administrative complexity and provides covenant headroom. The documentation process for the new facility is underway with the expectation this will be documented, approved and signed by mid to late August 2025.

Significant Item - Onerous Contract Loss

Following a review of its contractual obligations, the Fluids Systems business identified an onerous contract which has resulted in a one-off, pre-tax loss of approximately $1.3m for the period. The contract was entered into in 2021 and has become onerous due to a lack of understanding of the requirements of the project when quoted and the inability to successfully negotiate with contract partners for full/partial recovery of cost overruns. The cash flow impact of this on the Group has been absorbed in prior periods and it is the Board's belief that there will be no further impact from this contract in FY26.

Outlook

The Group is focused on delivering its "back to basics" strategy under a refreshed and strongly aligned new executive team. All efforts are focused on sales growth, cost reduction, cash generation, debt reduction and a step-change in financial performance in FY26.

The Board remains confident in the market opportunity for the business and now believe we have the team in place to execute. The Group has significant revenue scale, attractive gross margins and there are no underlying significant market structural issues.

Earnings guidance for FY26 is >$20m EBITDA with expectations that earnings run-rate will improve quarter-on-quarter. This does not include the benefit of the cost out program which will be progressively delivered during the year. July sales were $34m (up 6.3% on June) and show an improving run-rate.

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

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