Coventry Group Ltd

ASX RELEASE

2026 Full Year Results

31 August 2026

Summary

- Group Sales for FY26 up +2.8% to $375.3m ($365.2m FY25) on a constant currency basis. Statutory revenue of $371.3m ($364.6m FY25).
- Group underlying EBITDA[1] of $9.4m, down -23.6% ($12.3m FY25), with second half EBITDA of $6.2m almost double the first half result of $3.2m.
- Group underlying EBIT[2] of $3.8m, down -44.9% ($6.9m FY25).
- Q4 FY26 EBITDA[1] of $4.1m, the strongest quarter in 18 months, with Q4 operating cash flow of $5.9m.
- Statutory net loss for the year of -$15.2m (-$29.6m loss FY25), after significant items of $15.7m of which $12.3m were non-cash.
- $10m annualised cost-out target achieved.
- Inventory reduced by $10.6m to $78.4m following a comprehensive balance sheet and inventory review.
- At 30 June 2026, the Group has Net Tangible Assets of $22.2m and Net Assets of $104.1m.
- Net debt of $55.2m at 30 June 2026, down $1.1m, with available liquidity of $14.8m.
- Banking facilities extended to 31 August 2028.
- No dividend declared in respect of FY26.
- Strategic review announced in January 2026 remains ongoing.

Sales and EBITDA

Percentage sales and EBITDA[1] change for FY26 when compared with the prior year is shown below:

	FY26 vs FY25 % Sales change	FY26 vs FY25 % EBITDA[1] change
Fluid Systems	+3.2%	-1.5%
Trade Distribution	+2.4%	-18.8%
Consolidated Group	**+2.8%**	**-23.6%**

Group financial summary

$m	FY26	FY25	Change
Sales revenue (constant currency)	**375.3**	**365.2**	**+2.8%**
Underlying EBITDA	**9.4**	**12.3**	**-23.6%**
Underlying EBIT	**3.8**	**6.9**	**-44.9%**
Significant items	(15.7)	(33.8)	
Statutory net profit/(loss) after tax	**(15.2)**	**(29.6)**	

Divisional Commentary

- Trade Distribution (TD) sales for the year of $223.2m, up +2.4% on the prior year, supported by improving conditions in mainland Australia and New Zealand and a resilient Tasmanian market, partly offset by steel price deflation. TD EBITDA[1] of $11.7m compared to $14.4m in FY25, with second half EBITDA of $6.3m ahead of the $5.4m delivered in the first half as cost reduction and branch network changes took effect. Gross margin of 44.2% was 110 basis points lower on product mix.

- Fluid Systems (FS) sales for the year of $152.1m, up +3.2% on the prior year, with mining and industrial demand remaining supportive through the year. FS EBITDA[1] of $13.2m compared to $13.4m in FY25, at an 8.7% margin, making Fluid Systems the Group's most profitable segment. Second half EBITDA of $6.9m improved on the $6.3m delivered in the first half, with a record Q4 EBITDA of $4.4m following completion of the Mackay relocation.

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

Note 2: All references to EBIT are before Significant Items.

Note 3: Sales and EBITDA are presented on a constant currency basis, which restates New Zealand results at the prior corresponding period's average NZD/AUD exchange rate to remove the impact of currency translation.

Second half turnaround

FY26 was a year of two distinct halves. First half sales of $188.5m and EBITDA of $3.2m reflected the legacy of prior period challenges. The second half delivered EBITDA of $6.2m on broadly flat sales of $186.8m, demonstrating the operating leverage in the business.

Quarterly EBITDA improved through the year, with Q4 FY26 EBITDA of $4.1m almost doubling the $2.1m recorded in Q3 and improving materially from approximately breakeven in Q4 FY25. Q4 sales of $98.5m were up +11.7% on Q3 FY26 and +6.0% on the prior corresponding quarter. The improvement was margin and cost led rather than volume dependent, and provides a strong exit run rate heading into FY27.

Cost-out program - $10m target achieved

The Group achieved its targeted $10m of annualised cost savings, up from the $5.1m reported at the half year. The full run-rate benefit of these savings will be progressively reflected in monthly operating expenses, materially lowering the Group's cost base and accelerating earnings momentum into FY27.

Management has identified further efficiency opportunities, and the cost-out program remains ongoing. The savings delivered are expected to enable the Group to broadly hold its cost base in an inflationary operating environment, so that the benefits of continued sales growth and gross margin initiatives flow more directly through to earnings in FY27.

Cash flow and working capital

Operating cash flow of $5.9m in Q4 FY26 was the strongest quarterly result of the year, reflecting improved earnings, disciplined working capital management and the benefits of the inventory optimisation program.

Net working capital reduced by $5.0m to $74.7m, representing 19.9% of revenue (21.8% FY25). Inventory reduced $10.6m to $78.4m through ERP-enabled procurement controls, range rationalisation and a full physical stocktake and inventory review. Trade payables reduced $4.8m as aged balances were addressed, and receivables were held flat on higher revenue.

Balance sheet

At 30 June 2026, the Group had Current Assets exceeding Current Liabilities by $53.3m, Net Tangible Assets were $22.2m and Net Assets were $104.1m. The reduction in Net Assets of $7.1m was driven by the reported loss, including $15.7m of significant items of which $12.3m were non-cash.

At 30 June 2026, the Group had recognised deferred tax assets of $13.2m in respect of unused Australian tax losses of $44.2m. Deferred tax assets have not been recognised in respect of a further $13.3m of transferred tax losses.

Significant items

Significant items of $15.7m were recognised in FY26 ($33.8m FY25), of which $12.3m, or 78%, were non-cash. The principal items were:

- Changes in accounting estimates of $7.7m, being historical write-offs identified through a comprehensive balance sheet review undertaken by new management to strengthen the accuracy and integrity of the Group's financial position. This amount is entirely non-cash.
- Stocktake and inventory adjustments of $3.1m arising from the comprehensive inventory review conducted through the second half, providing a clean base from which to operate more efficiently and tighten inventory control going forward.

- Restructuring and branch closure costs of $2.4m.
- A $1.1m write-off of a job management system previously capitalised as part of the ERP upgrade program.

Significant items are expected to reduce materially in FY27 with the balance sheet review and ERP upgrade now substantially complete.

Net debt position and banking arrangements

The Group's Net Debt at 30 June 2026 was $55.2m, a reduction of $1.1m on the prior year, with available liquidity of $14.8m. The Group received waivers from its lender, National Australia Bank (NAB), in respect of the June 2026 quarter covenant testing. As weaker prior trading periods progressively roll out of the trailing 12-month EBITDA covenant calculation, the Group's covenant position is expected to continue to improve, supported by the earnings improvement delivered in the second half of FY26.

On 19 August 2026, the Group's $55m Revolving Cash Advance Facility, $15m Revolving Cash Advance Facility and Guarantee facility were extended, moving the expiry date on the Group's financing facilities from July 2027 to 31 August 2028. NAB remains supportive of the Group's turnaround plan.

Strategic review

The strategic review announced on 23 January 2026 remains ongoing. The Group has received non-binding indicative offers for individual divisions which exceed the Company's current market capitalisation. The Board has determined that these indicative offers do not represent appropriate value having regard to the improving profitability trends of the Group. The Board continues to engage with interested parties and will update the market in line with its disclosure obligations. No decisions have been made, and there is no certainty that the review will result in any transaction or change to the Group's structure.

Outlook

The Group enters FY27 with positive momentum. The cost base has been reset, trading momentum improved clearly through the second half, and the full benefit of the $10m cost-out program is yet to be reflected in run-rate earnings. Sales growth has continued across both Trade Distribution and Fluid Systems, gross margin initiatives are gaining traction, and the integration of Steelmasters is expected to be substantially complete over the coming six months, representing a further source of earnings uplift and operating leverage.

July FY27 trading has started in line with expectations, with sales of $34.4m (up +1.3% on July FY25) and unaudited underlying EBITDA of $2.1m (up +79.3% on July FY25).

FY27 priorities are revenue and market share growth, profit margin improvement, simplified and integrated operations, improved EBITDA-to-cash conversion, and debt reduction. Capital expenditure will be held below $3m for FY27, with free cash flow after capital expenditure directed to the balance sheet.

The Board and management are confident that the earnings trajectory established in the second half of FY26 provides a strong foundation for improved financial performance in FY27.

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

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