

15 June 2022

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

## Coventry Group Ltd (CYG)

### Distribution Services

#### BUY

**CYG A\$1.14**      **TARGET PRICE A\$1.30**

Coventry Group (CYG) delivers innovative industrial solutions to the mining, construction, and manufacturing sectors.

The company supply a range of fastening systems, cabinet hardware systems, hydraulics, lubrications, fire suppression, refuelling systems and other products.

#### Company Data

Number of shares	91.4M
Market Capitalisation (\$m)	104.2
Free float (%)	60.8
12-month high/low	\$1.84/\$1.14
Average daily turnover (\$m)	0.02
% S&P/ASX200	0.005%
DDM Ranking	N/A
% All Ordinaries	0.004%
GICS Industry Group	Wholesale Distributors

Source: FactSet, Barclay Pearce Capital

#### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	288.5	320.0	340.6	358.7
EBITDA (\$M)	13.4	15.7	25.5	29.3
Reported NPAT (\$M)	7.2	5.7	11.3	14.0
Adjusted NPAT (\$M)	6.0	6.8	11.3	14.0
Reported EPS (c)	8.1	7.5	16.8	21.0
Adjusted EPS (c - FD)	7.9	7.5	12.4	15.4
Adjusted EPS growth (%)	777.8	17.4	28.0	24.3
Adjusted P/E (x)	14.4	9.1	9.2	7.4
Dividend (c/sh)	3.0	2.5	3.7	4.6
Gross yield (%)	N/A	3.2	4.6	5.8
Net yield (%)	2.6	2.2	3.2	4.0
ROIC (%)	5.7	4.4	6.9	8.3

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

#### Share price performance



Source: FactSet, Barclay Pearce Capital

## FY22 Trading Update & Full Year Forecast

On 15<sup>th</sup> of June 2022, Coventry Group Ltd (CYG) announced FY22 Trading Update and Full Year Forecast with the following highlights:

#### Highlights:

- Growth has been driven by the company's strong value proposition, activity in key market sectors, acquisitions, and diversification into new markets;
- FY21 acquisitions (HIS Hose and Fluid Power Services) are performing to expectations;
- Recent acquisitions (GHL and Fraser Coast Bolts) have performed well in the first two months post-acquisitions;
- The company continues to have a strong pipeline of acquisitions opportunities.

#### Guidance:

- FY22 forecast sales revenue of \$315m to \$325 (unaudited), being 10.9% higher at the mid-point from FY21;
- FY22 forecast EBITDA (unaudited, pre AASB16 and before one-off/significant items) of \$15m to \$16m, being 15.7% higher at the mid-point from FY21;
- FY22 forecast NPBT (before one-off/significant items) of \$10m to \$11m, being 13.6% higher at the mid-point from FY21.

## Earnings changes

CYG has provided revenue guidance in the range of \$315 - \$325m which is in line with the market expectations of \$317m. However, CYG gave EBITDA guidance in the range of \$15m - \$16m which is lower than the market expectations of \$20.4m. Hence, we expect negative earnings revisions of 23% for FY22 but do not expect any significant earnings revisions for future periods.

## Valuation

We are initiating research coverage on CYG with a 12-month price target of \$1.30 and with a BUY recommendation. The price target is underpinned by our valuation.

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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for BPCM to assign a Buy or Underperform rating.

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### Barclay Pearce Capital Recommendation Proportions

Buy	46.8%	(	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	20.7%	(	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	32.6%	(	0.0% of stocks with recommendations are Barclay Pearce clients)

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