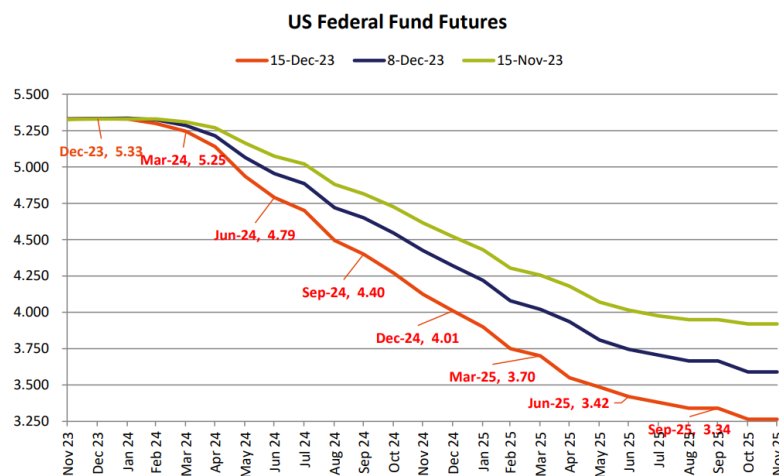


Market looking forward to post Christmas cold cuts

So why have the markets been so bullish over recent weeks? Because of this chart below. Cheaper money ahead. Simple as that. BUT, will it happen? Inflation is pretty sticky once it rears its ugly head and the unemployment numbers, both here and in the US certainly aren't cratering.

Cuts, cuts and more cuts...

ShawandPartners
Financial Services



Coventry Group (CYG)

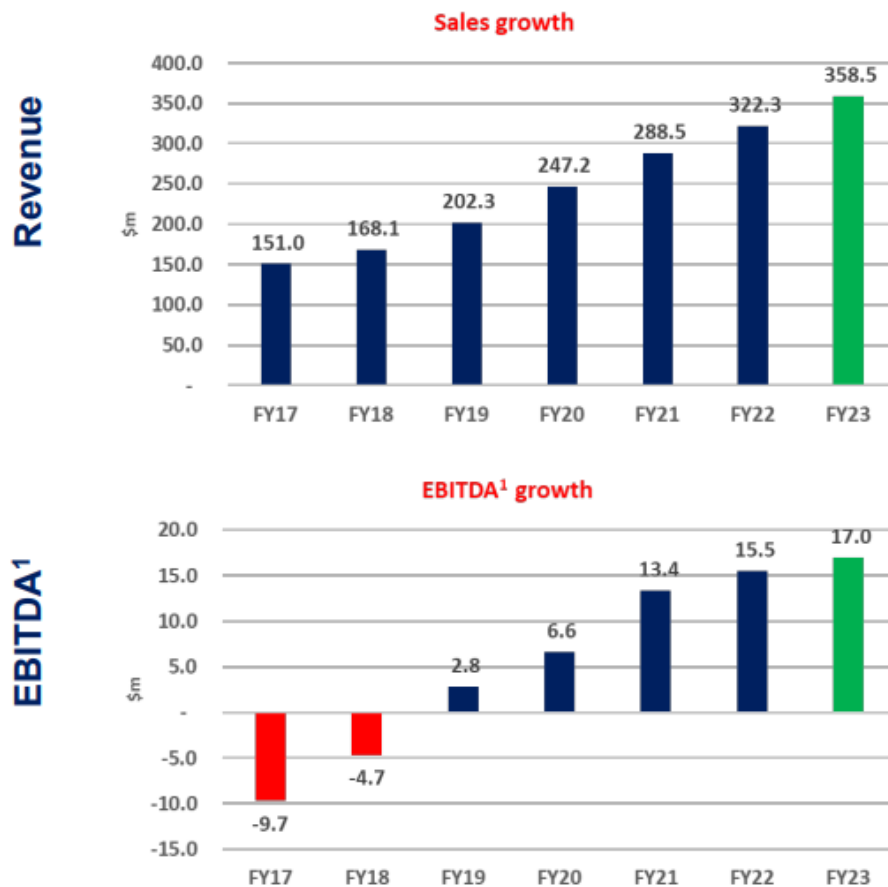
- On Monday this week, CYG announced today an extremely positive trading update.
- H1 FY24 forecast Sales (31 December) of around \$185.5m, up ~5.5% on H1 FY23
- H1 FY24 forecast unaudited EBITDA before significant items of around \$9.8m, up ~18.0% on H1 FY23.

Segment	Q1 FY24 actual (A\$m)	pcp growth (%)	Q2 FY24 forecast (A\$m)	pcp growth (%)	H1 FY24 forecast (A\$m)	pcp growth (%)
Consolidated Group Sales	94.6	+6.1	90.9	+4.9	185.5	+5.5
Consolidated Group Unaudited EBITDA ¹	5.4	+10.8	4.4	+28.5	9.8	+18.0

- The ERP upgrade continues to progress broadly to plan, schedule and budget.
- Robert Bulluss, Group CEO and Managing Director of Coventry Group said, *“The Group is on target to deliver solid half year FY24 sales and EBITDA growth. Initiatives to grow EBITDA % to Sales to 10% in the medium term have delivered positive improvements. These buy-side and sell-side initiatives were implemented early in the financial year. The run-rate from these initiatives continued to improve in the December quarter with forecast Q2 EBITDA up ~28.5% on the pcp.”*
- He also emphasised that demand in their primary end markets (mining and resources, infrastructure, commercial construction and industrial) was ‘robust’ and that they had modest exposure to the weaker areas of the economy, namely household discretionary expenditure and residential construction.
- CYG are looking to leverage their strategic strengths *“via new branch openings, branch refurbishments, product range expansion, e-commerce and an enhanced focus on sales and marketing.”*
- Using an extremely simplistic doubling of the projected first half EBITDA results, CYG will make approximately \$20m EBITDA for FY’24, and will result in a 17.6% increase in EBITDA over FY’23. In that event, CYG is trading on an EBITDA multiple of 5.8x

EBITDA and Revenue Growth between FY’17 and FY’23

FY23 Overview



- The number to watch with this business is their EBITDA margin. As this continues to expand from what was a negative figure in 2018 to a positive 4.5% margin in FY23, I expect will have doubled by FY26, along with the growth in sales.
- CYG is an extremely well run and underappreciated business, almost certainly because of its size. When the market wakes up, it will come in a rush.

GDI Group (GDI)

GDI provided a leasing update today, boasting 20,000 sqm of leasing activity at Westralia Square and the WS2 building in WA.

This is an extraordinary result and yet another tick in the box for the group's targeted achievements over FY2024.

- The Minister of Works has signed a new 1,833sqm, 11-year lease for all of level 6 at Westralia Square, Perth. They have also extended the existing leases over levels 1 - 5 and 7 – 9 from a July 2028 expiry to now expire at the same time as the new level 6 lease. Together, this gives the Minister of Works all of the lower-level lift bank at Westralia Square, encompassing 16,347.1sqm, until March 2034.

- Euroz Hartleys is relocating to level 1 at WS2, with the balance of that floor under heads of agreement.
- Leica Geosystems Pty Limited (Hexagon) has signed a new five-year lease for all of level 16 at Westralia Square (1,882sqm) commencing 1 January 2024.
- Infosys Technologies Limited has signed a five-year lease for the majority of level 17 (1,037sqm) commencing 1 March 2024.
- There is now only approximately 700sqm available at Westralia Square, and two of 11 floors at WS2.
- As at 31 December 2023, Westralia Square will have committed occupancy of 98% and a weighted average lease expiry of 8.2 years, and WS2 will have committed occupancy of 82% and a WALE of 8.6 years.
- 197 St Georges Terrace, Perth, GDI is also pleased to confirm that six previously referenced Heads of Agreement comprising 3,031sqm are now signed leases or lease renewals.
- GDI has stated they will revalue all assets as at 31.12.23 and based on the strength of the leasing market in WA, expect a very slight reduction in NTA from \$1.25.

Fundamentally, this means GDI is trading at half NTA with substantial upside and looks extremely cheap, despite the recent increase in unit price from a low of \$0.505.



The Morrissey Exchange Podcast

Christmas Wrap up

Finally, below is the 48th episode of the Morrissey Exchange.

We apologise for the radio silence since July and will endeavour to return with greater consistency in the New Year.

In this pod we run through the significant events of 2023, our predictions from 12 months ago and the predictions for 2024.

Tune in and [listen to the episode](#) or [find us on Spotify](#).



Merry Christmas to one and all, and we look forward to an invigorating and prosperous 2024.

Ben and the team.

This report has been prepared by Ben Morrissey

Shaw and Partners, Morrissey Wealth Management
Level 36, 120 Collins Street
Melbourne VIC 3000

Morrissey Wealth Management (Authorised Representative Number 268130) is a Corporate Authorised Representative of Shaw and Partners Limited (AFSL 236048) (ABN 24 003 221 583)

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