

ASX RELEASE

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Underwritten \$27.6m equity raising to fund acquisition of Nubco

5 February 2019

Coventry Group Ltd (ASX: CYG) is pleased to announce that it has entered into an agreement to acquire all of the shares of Nubco Proprietary Limited (“Nubco”) funded through a combination of a fully underwritten equity raising, an issue of Coventry Group shares to the vendor and the company’s existing debt facility.

Highlights

- Coventry Group to acquire Tasmanian based Nubco for \$36.0m.
- Nubco is Tasmania’s largest independent supplier of industrial and hardware supplies.
- Nubco’s FY18 adjusted EBITDA of \$6.0m from \$39.4m of revenue.
- Nubco expands Coventry Group’s Tasmanian presence with an additional 7 stores.
- The acquisition will be funded through a fully underwritten pro rata 1 for 1.37 accelerated non-renounceable entitlement offer at \$0.75 per share to raise approximately \$27.6m before costs and debt through the company’s existing facility.

Coventry Group has entered into an agreement to acquire all of the shares of Nubco for \$36.0m, comprising \$34.2m in cash and \$1.8m in new Coventry Group shares. The acquisition is expected to complete on 1 March 2019.

Coventry Group Managing Director and CEO, Robert Bulluss, said:

“We are pleased to welcome Nubco into the Coventry Group. Nubco is an extremely well-run business that has delivered strong sales and earnings growth over the past ten years. The business is highly complementary to our Konnect Fasteners business and will lead to procurement cost savings for the combined group. The acquisition will add to Group profitability in FY19, allowing Coventry to accelerate the return to payment of dividends to shareholders and the utilisation of the Company’s tax losses.”

About Coventry Group

Coventry Group delivers innovative industrial solutions to the mining, construction and manufacturing sectors, supplying a range of fastening systems, cabinet hardware systems, hydraulics, lubrication, fire suppression, refuelling systems and products.

Coventry Group operates under two key business units; Trade Distribution (**TD**) and Cooper Fluid Systems (**CFS**) and operates from 68 locations across Australia and New Zealand.

About Nubco

Nubco is the largest independent Tasmanian hardware and industrial supplier in the industrial segment with seven locations across the State. Founded by Joe Krawczyk and Graham Foster in

1983, Nubco has grown to become one of the most iconic players in the Tasmanian industrial hardware and supply market. Nubco services trade, industrial and retail customers.

Nubco has achieved sales revenue growth of approximately 13% per annum between 2014 and 2018. In FY18, Nubco generated sales revenue of \$39.4m and EBITDA of \$6.0m. The acquisition represents a trailing multiple of 6.0x FY18 EBITDA and is projected to be EPS accretive in FY19.

This acquisition offers tangible synergies that will benefit Coventry Group's Australian-wide business, including procurement cost savings and knowledge transfer.

Coventry Group will operate Nubco as a stand-alone division to minimise integration risk and the division will continue to be run by Nubco's existing management team.

The Nubco acquisition is subject to the following two conditions precedent:

- Lease registrations relating to a retail site; and
- Coventry Group completing a capital raising to support the acquisition (further details of the acquisition funding are set out below).

Coventry Group may also elect not to proceed with the Nubco acquisition if a material adverse change occurs prior to completion.

Acquisition aligned with Coventry Group's strategy

Nubco represents a compelling acquisition opportunity that is consistent with Coventry Group's growth strategy and satisfies all of Coventry Group's key acquisition criteria:

- Industrial supply market exposure;
- >\$10m turnover;
- Profitable business;
- Disciplined approach to value;
- Management retention;
- Ability to adapt to ASX corporate culture;
- Clear post-acquisition integration and growth strategy; and
- Conservative funding strategy.

Acquisition funding

The cash component of the acquisition price will be funded by a pro rata accelerated non-renounceable entitlement offer to raise approximately \$27.6m ("Entitlement Offer"). The Entitlement Offer is fully underwritten by Bell Potter. Proceeds from the Entitlement Offer will be used to fund the acquisition of Nubco and related transaction costs. The balance of the acquisition price will be funded through the company's existing debt facility.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new Coventry Group fully paid share ("New Share") for every 1.37 existing Coventry Group shares held as at 7pm (AEDST) on Friday 8th February 2019 ("Record Date").

All shares offered will be issued at a price of \$0.75 per New Share, which represents:

- a 22.3% discount to the last closing price of \$0.965 on 5th February, 2019

- a 14.2% discount to the theoretical ex-rights price of \$0.8743 based on the last closing price of \$0.965 on 5th February, 2019
- a 18.0% discount to the 30 trading day Volume Weighted Average Price (“VWAP”) up to and including 5th February 2019, of \$0.9145
- a 11.3% discount to the theoretical ex-rights price of \$0.8451 based on the 30 trading day VWAP up to and including 5th February, 2019 of \$0.9145

Approximately 36.8 million new Coventry Group shares will be issued under the Offer. Each New Share issued under the Offer will rank equally with existing Coventry Group shares on issue. Coventry Group will, upon issue of the New Shares under the Offer, seek quotation of the New Shares on the ASX.

Eligible institutional shareholders will be invited to participate in the accelerated institutional component of the Entitlement Offer (“Institutional Entitlement Offer”), which is expected to close on 7th February 2019.

The retail component of the Entitlement Offer (“Retail Entitlement Offer”) will be open from 12th February 2019 to eligible retail shareholders in Australia and New Zealand on the Record Date. In addition to each shareholder’s entitlement under the Retail Entitlement Offer, eligible retail shareholders will also be offered the opportunity to subscribe for additional New Shares to the extent there is a shortfall in the Retail Entitlement Offer. An offer booklet in respect of the Retail Entitlement Offer is expected to be mailed to eligible retail shareholders on 12th February 2019.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferrable.

The Coventry Group directors with an existing shareholding have indicated that they will take up their full entitlement under the Entitlement Offer. Viburnum Funds Pty Ltd, Coventry Group’s largest shareholder owning approximately 21%, has entered into an agreement to sub-underwrite approximately \$8.0m of any shortfall associated with the Retail Entitlement Offer.

Offer timetable

An indicative timetable of key dates in relation to the Entitlement Offer is set out below.

Timetable		
1	ASX announcement of offer and trading halt	Tuesday, 5 th February 2019
2	Institutional Entitlement Offer and bookbuild	Tuesday, 5 th February 2019
3	ASX announcement of results of Institutional Entitlement Offer	Friday, 8 th February 2019
4	Trading halt lifted and return to trading on ASX	Friday, 8 th February 2019
5	Record date for participation in Entitlement Offer	7.00pm (AEDST) Friday, 8 th February 2019
6	Retail Entitlement Offer opens and despatch of Retail Offer Booklet	Tuesday, 12 th February 2019
7	Settlement of New Shares issued under Institutional Entitlement Offer	Thursday, 14 th February 2019
8	Allotment of New Shares issued under Institutional Entitlement Offer	Friday, 15 th February 2019

9	Retail Entitlement Offer closes	Thursday, 21 st February 2019
10	ASX announcement of results of Retail Entitlement Offer	Tuesday, 26 th February 2019
11	Settlement of Retail Entitlement Offer	Wednesday, 27 th February 2019
12	Allotment of New Shares issued under Retail Entitlement Offer shares	Thursday, 28 th February 2019
13	Normal trading resumes on all shares	Friday, 1 st March 2019

Note: The timetable above is indicative only and may be subject to change. Coventry Group reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act 2001, the ASX Listing Rules and other applicable laws. In particular, Coventry Group reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

Further information

Further details of the Nubco acquisition and the Entitlement Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer.

If you have any questions, you should seek advice from your stockbroker, accountant or other independent and appropriately licenced professional adviser. For further information about the Entitlement Offer you can call the Coventry Group Shareholder Information Line on 1300 763 414 (within Australia) or +61 3 9415 4000 (outside Australia) at any time between 8:30am and 5:00pm (AEDST) on Monday to Friday.

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