

# Acquisition of Nubco and Capital Raising

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5 February 2019



# Important information and disclaimer

## Important information and disclaimer

The information contained in this presentation (**Presentation**) has been prepared by Coventry Group Ltd ACN 008 670 102 (**CYG** or **Company**).

This Presentation has been prepared in relation to:

- CYG's acquisition of Nubco Proprietary Limited, a diversified industrial distribution company (**Acquisition**); and
- an accelerated non-renounceable entitlement offer of New Shares to be made to eligible institutional shareholders of CYG (**Institutional Entitlement Offer**) and eligible retail shareholders of CYG (**Retail Entitlement Offer**) under section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**) as modified by ASIC Corporations (Non- Traditional Rights Issues) Instrument 2016/84 (**Offer**).

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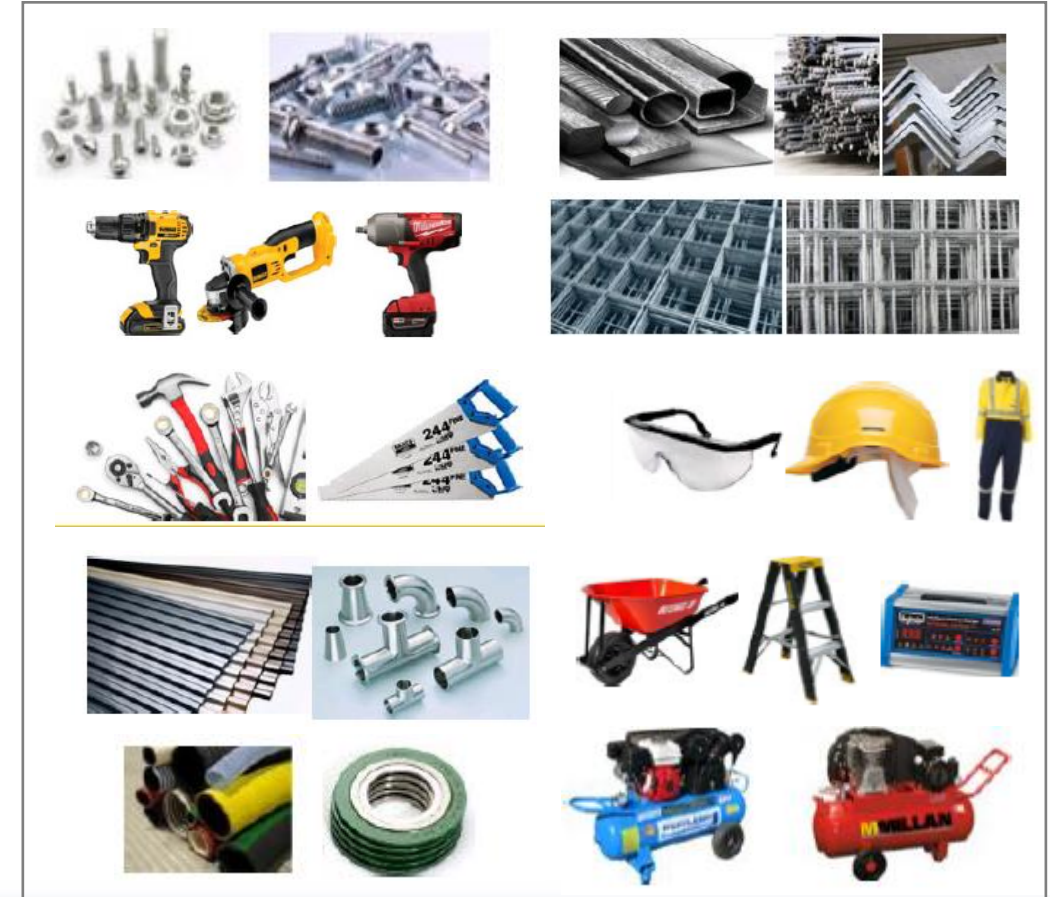
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# Acquisition target

Nubco is Tasmania's largest independent retailer of industrial hardware and supplies.

✓	Diversified customer and product base
✓	Meets Coventry's key acquisition criteria:
✓	<ul style="list-style-type: none"> <li>Industrial supply market</li> </ul>
✓	<ul style="list-style-type: none"> <li>&gt;\$10m turnover</li> </ul>
✓	<ul style="list-style-type: none"> <li>Profitable business</li> </ul>
✓	<ul style="list-style-type: none"> <li>Management to be retained</li> </ul>
✓	<ul style="list-style-type: none"> <li>Clear post-acquisition integration and growth strategy</li> </ul>
✓	<ul style="list-style-type: none"> <li>Disciplined approach to value</li> </ul>
✓	<ul style="list-style-type: none"> <li>Ensure ability to adapt to ASX corporate culture</li> </ul>
✓	Acquisition will add to Group profitability in FY19
✓	Positions Coventry Group as a leading industrial supply business in Tasmania
✓	Attractive trailing acquisition multiple of 6.0x FY18 EBITDA



# 1. Equity raising overview



# Equity raising overview

## Offer size and structure

- Equity raising of approximately \$27.6 million, comprising an Accelerated Non-Renounceable Entitlement Offer
- Under the Entitlement Offer, eligible shareholders are entitled to 1 New Share for every 1.37 existing ordinary shares held on Friday 8<sup>th</sup> February
- Issue price of \$0.75 per New Share
- The Entitlement Offer is fully underwritten

## Offer price

- a 22.3% discount to the last closing price of \$0.965 on 5<sup>th</sup> 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 5<sup>th</sup> February, 2019
- a 18.0% discount to the 30 trading day Volume Weighted Average Price (VWAP) up to and including 5<sup>th</sup> 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 5<sup>th</sup> February, 2019 of \$0.9145

## Institutional offer

- The Institutional Offer comprises the Institutional Entitlement Offer
- Entitlements not taken up in the Institutional Entitlement Offer will be offered to eligible institutional investors concurrently with the Institutional Offer by way of an Institutional Bookbuild
- The Institutional Offer and Institutional Bookbuild opens on 5<sup>th</sup> February, 2019

## Retail entitlement offer

- The Retail Entitlement Offer opens on 12<sup>th</sup> February 2019 and is scheduled to close on 21<sup>st</sup> February 2019
- The Retail Entitlement Offer will include a top up facility under which Eligible Retail Shareholders who take up their Entitlement in full may also apply for additional New Shares in the Retail Entitlement Offer that were not taken up by other Eligible Retail Shareholders

## Use of proceeds

- The net proceeds raised from the Entitlement Offer will be used by Coventry to fund the acquisition of Nubco and associated transaction costs and working capital requirements

## Ranking

- New Shares issued will rank equally with existing ordinary shares in all respects from the allotment

## Lead Manager and Underwriter

- Bell Potter
- 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

# Source and uses of funds

Sources	A\$M	Uses	A\$M
Gross proceeds from the equity raising	27.6	Acquisition of Nubco	36.0
Issue of Coventry shares to Nubco vendor	1.8	Transaction costs and working capital	3.4
Debt funding	10.0		
<b>Total sources of funds</b>	<b>39.4</b>	<b>Total use of funds</b>	<b>39.4</b>

# Equity raising timetable

ASX announcement of offer and trading halt	Tuesday, 5 <sup>th</sup> February 2019
Institutional offer and bookbuild	Tuesday, 5 <sup>th</sup> February 2019
Trading halt lifted and return to trading on ASX	Friday, 8 <sup>th</sup> February 2019
Record date for participation in ANREO	7.00pm (AEDST) Friday, 8 <sup>th</sup> February 2019
Retail Entitlement Offer opens and despatch of Retail Offer Booklet	Tuesday, 12 <sup>th</sup> February 2019
Settlement Institutional Entitlement Offer	Thursday, 14 <sup>th</sup> February 2019
Allotment of Institutional Entitlement Offer shares	Friday, 15 <sup>th</sup> February 2019
Retail Entitlement Offer closes	Thursday, 21 <sup>st</sup> February 2019
Settlement of Retail Entitlement Offer	Wednesday, 27 <sup>th</sup> February 2019
Allotment of Retail Entitlement Offer shares	Thursday, 28 <sup>th</sup> February 2019
Normal trading resumes on all shares	Friday, 1 <sup>st</sup> March 2019



## 2. Coventry Group

Coventry Group Ltd (ASX: CYG) delivers innovative industrial solutions to the mining, construction, manufacturing, defense and agriculture sectors.

# Company overview

Coventry Group Ltd (ASX: CYG) delivers innovative industrial solutions to the mining, construction and manufacturing sectors. We supply a range of fastening systems, cabinet hardware systems and hydraulics, lubrication, fire suppression, refueling systems and products.



## Trade Distribution (TD)

Comprises Konnect fastening systems and Artia cabinet hardware systems through a wholly owned branch network (41 in Australia and 15 in New Zealand) selling to customers in mining, construction and manufacturing industries.



## Cooper Fluid Systems (CFS)

Designs and manufactures hydraulics, lubrication, fire suppression, refueling systems and products to customers in the mining, construction and manufacturing industries through 11 branches in Australia.



## Torque Industries (Torque)

Offer hydraulic, pneumatic, filtration and lubrication product sales and service along with hydraulic cylinders, hydraulic hose repair and complete system design, installation and commissioning from its base in Adelaide.

**We value the health, safety and well being of our people first and foremost.**

**Our aim is for zero lost time injuries**

### OUR VISION

To be an innovative Industrial Supply Group achieving sustainable profitable growth operating through specialist business units.

### OUR VALUES

We value Respect, Fairness, Teamwork, Integrity and Professionalism.

Above all, we value Our People and Our Customers.

# Corporate overview

## Financial snapshot

Share price 5-Feb-2019	\$0.965
Shares outstanding	50.5m
<b>Market capitalisation</b>	<b>\$48.7m</b>
Cash (31-Dec-2018)	\$8.5m
Debt (31-Dec-2018)	\$0.0m
<b>Enterprise value</b>	<b>\$40.2m</b>

## Substantial shareholders

Viburnum Funds	21.0%
Spheria Asset Management	10.5%
Intrepid Capital	6.9%
Sandon Capital	6.2%

Source: S&P Capital IQ, IRESS & Computershare, ASX



# Company overview

Coventry Group (ASX: CYG) delivers innovative industrial solutions to the construction, manufacturing, mining, agriculture and defense sectors. We supply a range of fastening systems, cabinet hardware systems, hydraulics, lubrication, fire suppression, refueling systems and other products.

	Trade Distribution (Konnect and Artia)	Cooper Fluid Systems	Torque Industries
<b>Business Overview</b>	Trade distribution is a speciality fastening systems and cabinet hardware systems company in Australia and New Zealand with a network of 56 branches.	Designs and manufactures hydraulics, lubrication, fire suppression, refuelling systems and other products with a network of 11 branches.	Diversified engineering company providing mainly hydraulic and pneumatic products and services through 1 branch in Adelaide
<b>Market Exposures</b>	Construction, manufacturing & mining	Construction & mining	Defence, agriculture, manufacturing, recycling & mining
<b>FY18 Revenue (A\$m)</b>	\$103m	\$65m	\$14m (normalised)
<b>FY18 EBIT (A\$m)</b> (pre corporate costs)	(\$3m)	\$5m	\$2.6m (normalised) (Torque acquisition completed 31 October 2018)
<b>Opportunity</b>	Significant business turnaround in Australia with a clear strategy to return to profitability. New Zealand continues to increase market share and drive profitable growth.	Continue to increase market share and drive profitable growth. Strategic acquisitions.	Continue to increase market share and drive profitable growth through its Adelaide based business. Expansion nationally.

# Coventry's value proposition

## Renewed focus on our people and our customers

- Training
- Business Development
- Technology enhancement

## Deliver service excellence

- Quality products
- Stock availability
- Employee expertise
- Geographic coverage
- Agility

## Improved financial outcomes

- Grow sales
- Improve margins
- Reduce DC infrastructure costs
- Leverage existing infrastructure
- Return to profitability



# Vision/strategic direction

Exciting opportunity to build a leading scaled Industrial Supply Group.

- As the Group has stabilised performance over recent times and with a clear pathway back to profitability, the Board and Executive Leadership Team have spent time developing the vision for the business over the next five years.
- The Board and Executive Leadership Team have significant experience in B2B trade / industrial supply distribution markets and know what the blueprint for success looks like.
- Clear opportunity to build a highly focused scaled Industrial Supply business with leading market positions across multiple geographies, sectors and products.
- Growth can be achieved through a combination of:
  - ✓ Organic growth (market share gains, new branches, new products & new geographies); and
  - ✓ Sensible strategic acquisitions.

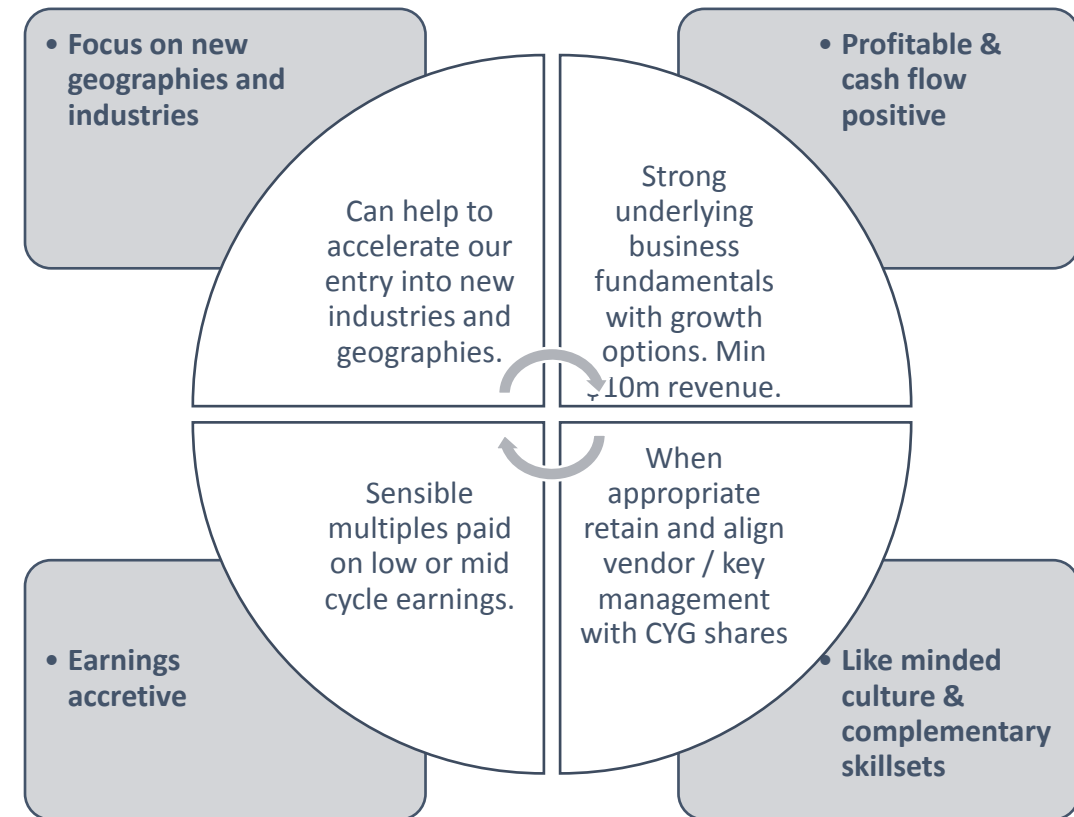
***Our vision is to create a leading Industrial Supply Group achieving sustainable profitable growth through sensible organic and acquisitive growth.***



# Acquisition approach

The Group will take a highly disciplined approach to acquisitions with strict criteria.

- A return to pursuing acquisition opportunities represents a pivotal turning point for the company after years of divestments and revenue erosion.
- We have now largely stabilised our core operations and have a team in place which has a very successful history of growing businesses through sensible and strategic acquisitions.
- We are not an industry “roll-up” story rather we will take a very strategic approach to assessing acquisition opportunities that may help to accelerate our entry into new geographies or industries.
- Acquisitions will be integrated with detailed 100 day and longer term integration plans. Systems and processes will be aligned with the Group and efficiencies will be extracted.
- Funding will be through a mix of new equity, debt and operating cash flows.
- We already have a pipeline of interesting opportunities where the vendors have no obvious succession planning in place. We will seek to avoid competitive processes where possible and negotiate on an exclusive basis.



# Board

The Coventry Group Board of Directors has a wealth of knowledge and experience.



## Neil Cathie – Independent Non-Executive Chairman

- 27 year career at Australia's largest and most successful plumbing and bathroom distributor, Reece Ltd, in finance and governance roles
- Non-executive director of ASX listed Millennium Services Group Limited and Director of and advisor to a number of private companies
- Graduate of the Australian Institute of Company Directors and fellow of CPA Australia and Governance Institute of Australia



## Robert Bulluss – CEO and MD

- Appointed CEO in May 2017 after holding the role of CFO and company secretary since October 2016
- 15 years within the Australian division of Bunzl plc.
- Experience across Finance, Strategy, Human Resources, Health, Safety and Environment, ICT and Technology, Operations, Project Management and all aspects of acquisitions



## Andrew Nisbet – Independent Non-Executive Director

- Appointed in September 2017
- Extensive career in senior management roles at Reece Ltd
- Graduate of the Australian Institute of Company Directors and advisor to a number of private companies



## James Todd – Independent Non-Executive Director

- Appointed in September 2018
- Former Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999. Non-executive director of ASX listed companies IVE Group Ltd and HRL Holdings Ltd
- Member of the Australian Institute of Company Directors

# Executive Leadership Team

Highly credentialed Executive Leadership Team with a proven track record in B2B trade distribution.

Background	
Robert Bulluss (CEO and Managing Director)	See previous slide
Rod Jackson (CFO)	Rod was appointed Chief Financial Officer in September 2017. He is an ACA qualified and experienced finance professional and prior to joining Coventry spent four years as Finance Director at Bunzl Outsourcing Services Limited. For six years prior to that he was Chief Financial Officer and Group Financial Controller at Linfox. Rod has also held senior finance roles with Remote Vision Solutions and Jetset Travel following 17 years with Deloitte Touche Tohmatsu.
Mike Wansink (GM of NZ)	Mike is an experienced General Manager with over ten years experience managing Trade Distribution New Zealand. Previously he held General Manager roles with the Extra Mile Company and Rexel Electrical Supplies and Marketing and National Sales roles with Steel and Tube. His experience has been invaluable in developing strategies for the turn around of the Australian business.
Peter Shaw (GM of TDA)	Peter joined the business 6 months ago as Northern Regional Manager in the Trade Distribution Australia business. Previously Peter held general management roles in industrial supply businesses including Worksense Workwear and Safety, Wesfarmers Industrial and Safety, Total Fasteners, Packaging House and Protector Safety. His experience and qualifications make Peter the ideal person to lead TDA through the next stage of its recovery to sustainable profitable growth.
Bruce Carter (GM of CFS)	Bruce has over 35 years experience with the Group in a number of different roles. He is currently General Manager of our profitable and growing Cooper Fluid Systems business. Prior to this he ran the Queensland region of Coventry Fasteners during a period of profitable sales growth. Bruce has broad general management experience and has provided extensive guidance and assistance with the Australian turnaround. He also has extensive experience acquiring and integrating businesses.
Tracey Gibbins (GM of People, Safety, Wellness and Quality)	Tracey was appointed General Manager of People, Safety, Wellness & Quality in January 2018. Tracey is an experienced and qualified Human Resources, Health, Safety, Environmental and Quality Strategy professional with relevant experience across a diverse range of businesses over a 25 year career.
Ken Lam (CIO)	Ken joined the business in August 2018. He has extensive IT and Project Management experience, most recently with SWC Management, Amplifon and Amcor. Ken will ensure the business has the ability to operate successfully in the Digital world.

# 1HFY19 trading update

- **Group**
  - Financial performance continues to improve
  - Sales up 5.1% on PCP
  - Cash position at 31 December 2018 of \$8.5m with no debt
  - Net tangible assets per share of \$1.02
- **CFS**
  - Sales up 13.2% on PCP.
  - Continuing rapid growth due to strong value proposition in a positive market setting
- **Torque**
  - Trading in line with expectations for the first two months post completion
- **TDNZ**
  - Sales up 14.4% on PCP
  - Excellent start to the year due to strong value proposition winning market share
  - Preparation for opening a new branch in Rotorua is advanced
- **TDA improving but slower than desired**
  - Appointed experienced General Manager with industrial supply background – Peter Shaw
  - Sales are in line with PCP excluding one-off project sales to Chevron in WA in H1 FY18 (\$1.282m) and the impact of unprofitable store closures (\$474k).
  - Major customer wins over the last three months will add \$1.6m sales in Q3
- **Outlook**
  - Markets remains positive and growing
  - The Group expects to generate positive EBIT for FY19, subject only to unforeseen circumstances arising
  - Acquisition of Nubco will add to Group profitability in FY19

## Torque Industries acquisition

- Completed on 31 October 2018
  - 8 months profit contribution
  - FY19 forecast EBIT contribution in the order of \$1.7m

## Nubco acquisition

- Planned completion on 1 March 2019
  - 4 months profit contribution
  - FY19 forecast EBITDA contribution more than \$2.0m

# 3. Nubco Overview

Highly attractive acquisition opportunity

# Nubco – History and key milestones



- Overview

- Nubco Proprietary Limited (“Nubco”) is Tasmania’s largest independent supplier of industrial and hardware products
- Founded in 1983
- Seven store locations across Tasmania
- Headquarters and Distribution Centre in Devonport
- Diversified customer base across trade (65%), industrial segments (20%) and retail (15%)
- Primary sales channels are trade distribution outlets, industrial contract managed by sales representatives and trade shows
- FY18 sales of \$39.4m and EBITDA of \$6.0m

<b>1983</b>	• Founded by Joe Krawczyk and Graham Foster in Devonport
<b>1993 - 1997</b>	• Opened stores in Burnie, Derwent Park and Launceston
<b>2002</b>	• Paul Krawczyk starts in the business. Opened store in Mornington
<b>2003</b>	• New POS software is installed (SYM-PAC)
<b>2006</b>	• Opened new purpose built warehouse facility in Devonport
<b>2007 &amp; 2010</b>	• Opened sixth store in Kingston (2007) and seventh store in George Town (2010)
<b>2013</b>	• Increased scale of import program



# Nubco – Products & locations

Nubco is headquartered in Devonport, with seven store locations across Tasmania.

## Key products

- Distributes an extensive range of equipment, accessories and spare parts
  - Industrial and engineering supplies, fasteners, safety and machinery
  - Steel, aluminium and stainless steel products
  - Concrete reinforcing
  - Hand tools, power tools and workshop equipment
  - Other industrial and engineer supply products

## Channels to market

- Shopfront/retail stores
- Sales force servicing industrial / trade customers
- Trade shows and events

Burnie



Devonport



Kingston



George Town



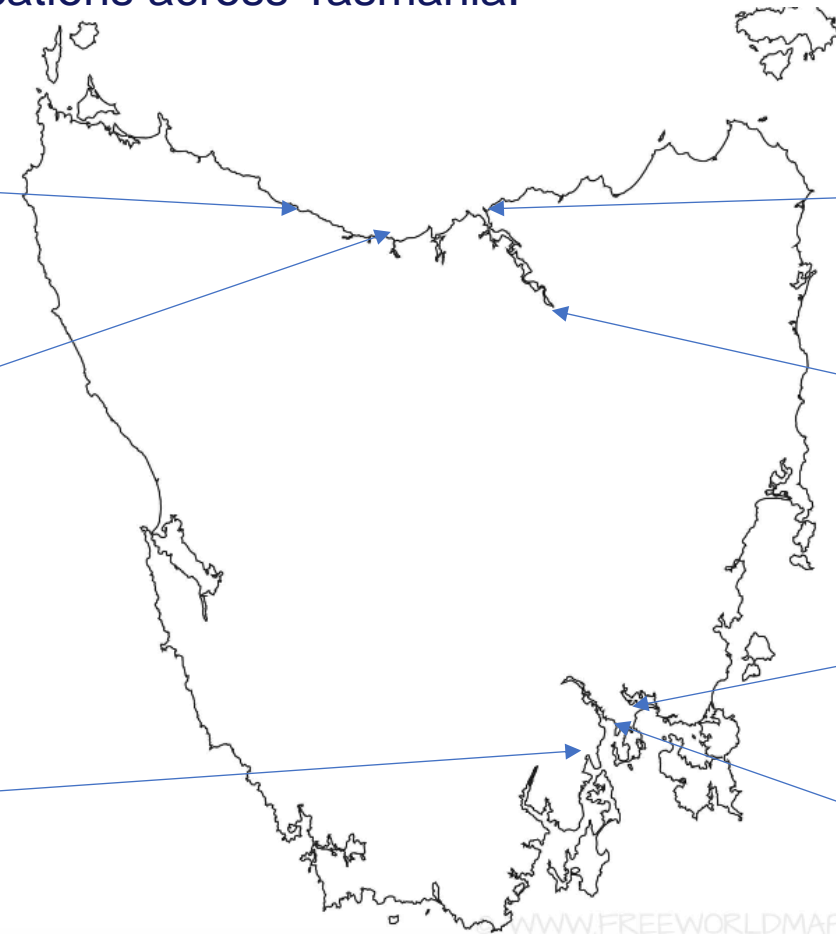
Launceston



Mornington



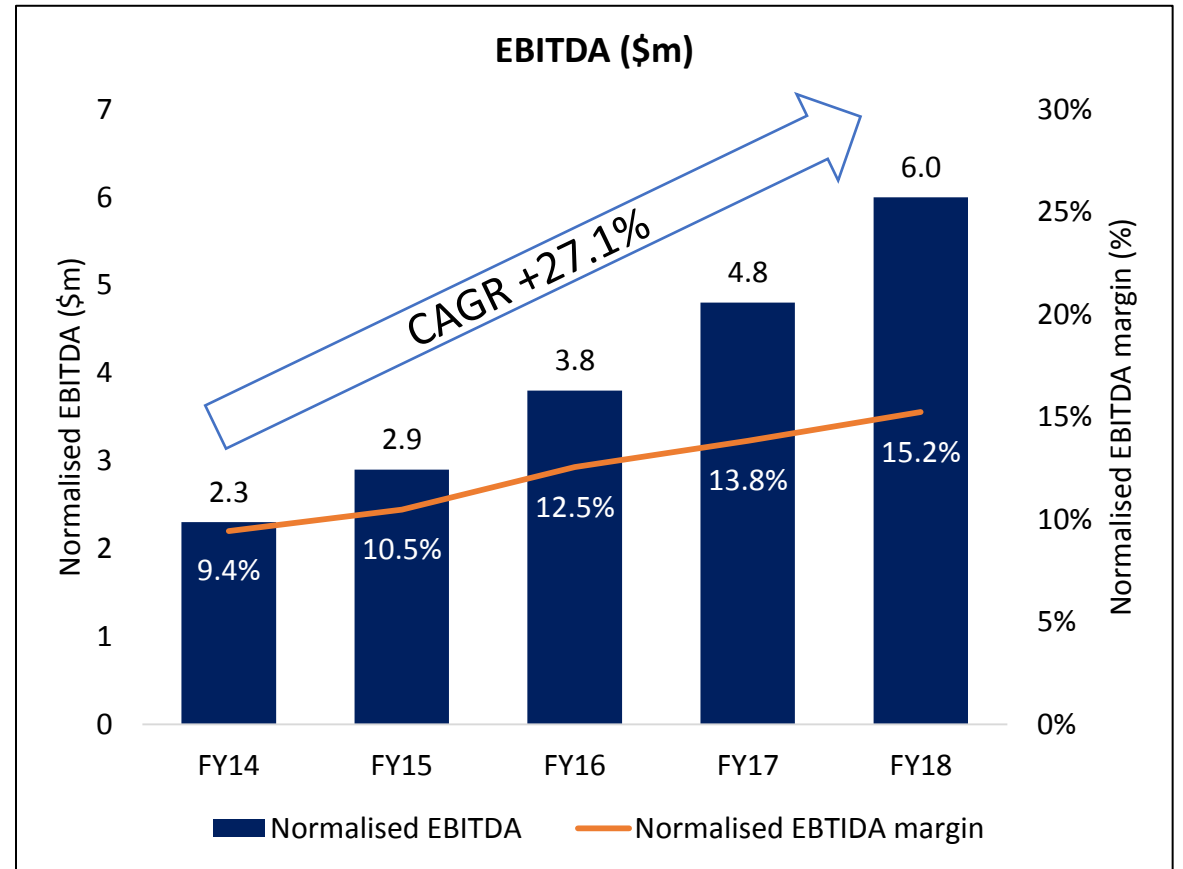
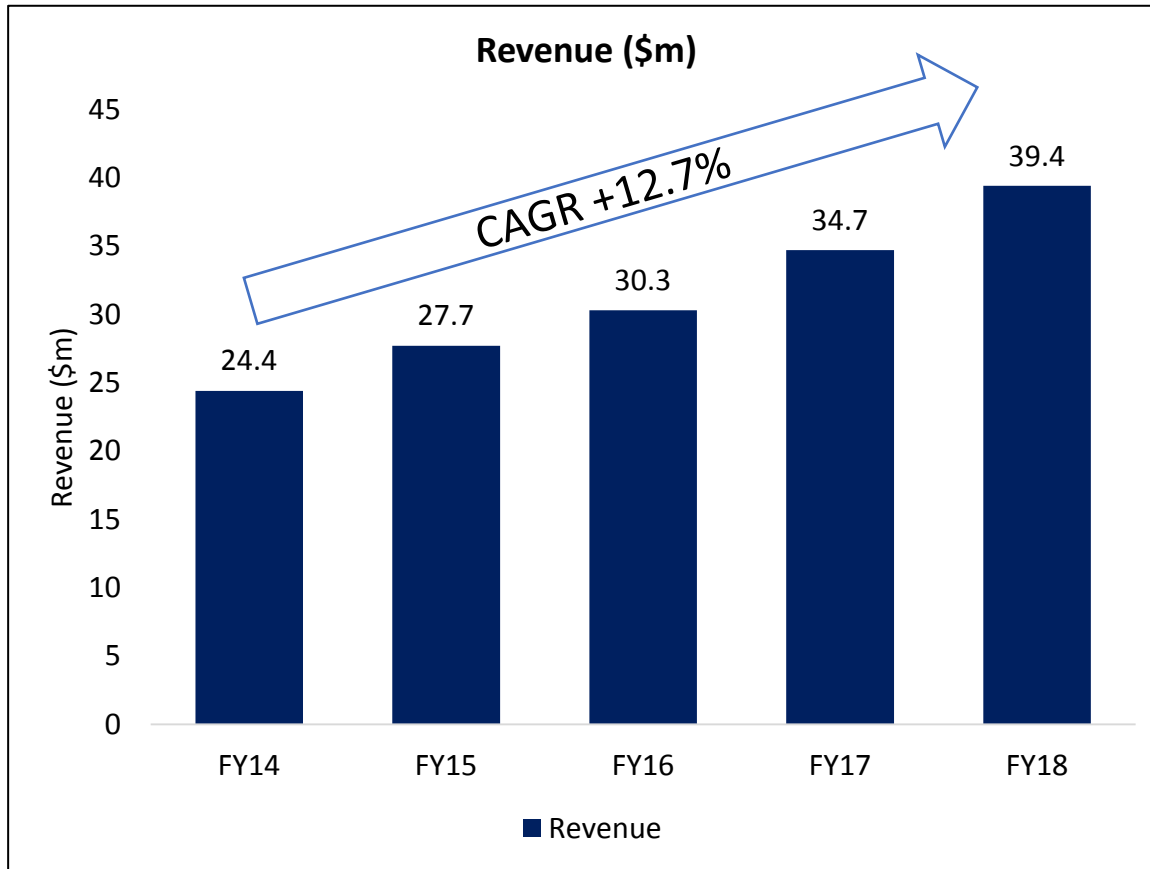
Derwent Park



www.freeworldmaps.com

# Nubco – Financials

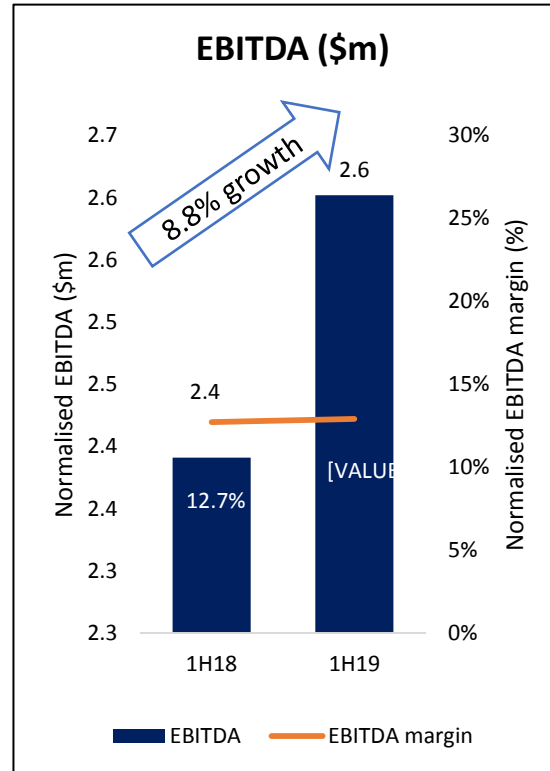
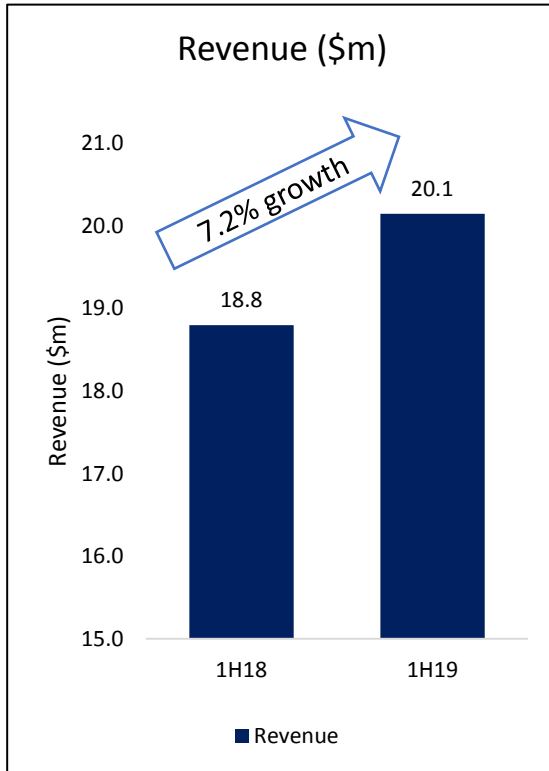
Normalised earnings have grown by a CAGR of 27% between FY14 and FY18.



Source: Nubco

# Nubco – Financials (cont.)

1H19 EBITDA has grown by 9% from 1H18.



- Historically, Nubco earnings show significant seasonality, with second half revenue, earnings and margin higher than first half
- Factors contributing to seasonality include
  - End of financial year tax driven sales
  - End of financial year spending to exhaust remaining corporate budgets
  - December holidays shut down

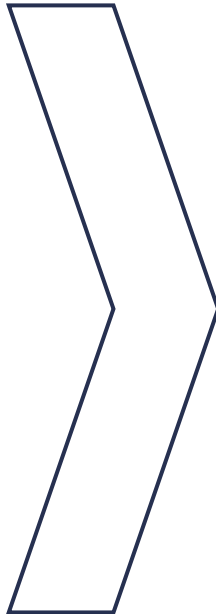
Source: Nubco

# Nubco – Customer Segments

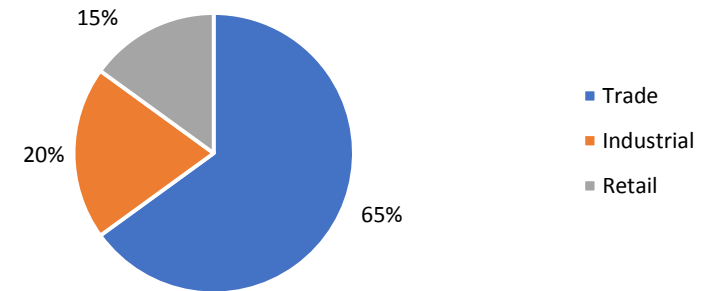
Nubco has a diversified customer base and product mix.

## Key Customer Segments

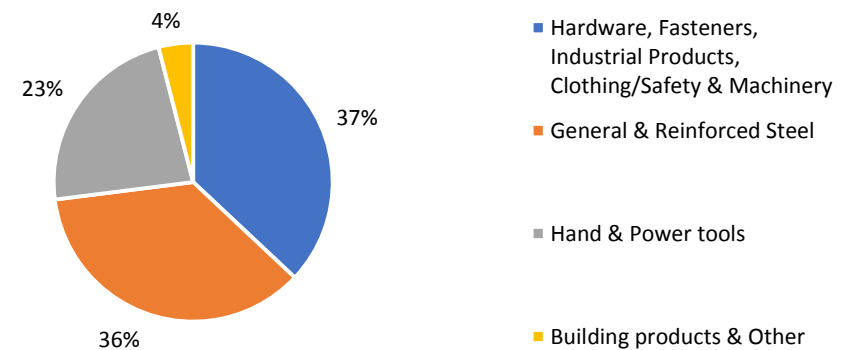
- **Trade**
  - Trade customers
    - Power tools, hardware & gas
    - Reinforcement products
- **Industrial**
  - Industrial consumables contracts with large corporate customers
    - Steel, fasteners, industrial consumables, power tools & machinery
- **Retail**
  - Retail customers who purchase products for high end DIY projects
    - Fasteners, power tools & machinery & hand tools



FY17 Revenue by Customer Segment Sector



FY17 Revenue by product category



Source: Nubco

# Nubco – Growth prospects

Nubco has a strategy in place for continued sales and profit growth, supported by the Tasmanian economy.

## Organic Growth

- Significant industrial tender pipeline
  - Utilities
  - Infrastructure
  - Manufacturing
  - Potential for the roll out of Nubco locations in regional Australia
- Store refurbishment
  - Increase in footprint and capacity
  - Upgrade and refurbishment
  - Product range extension
- E-commerce growth
- Loyalty scheme
- Buoyant Tasmanian economy

Supported by  
solid  
economic  
growth  
foundations in  
Tasmania

### Key drivers

- 1 **Tourism** – Tasmanian Tourism growth is forecast to expand at CAGR of 4.2% between CY17 – CY20, fueling expansion in the construction and development of hospitality assets
- 2 **Agricultural and aquaculture growth** – The Tasmanian Government has plans to grow the Agriculture and Aquaculture industries tenfold to \$10 billion by 2050
- 3 **Increased Government infrastructure spending** – \$1.8 billion has been committed to infrastructure projects in Tasmania in the 2016-17 Budget
- 4 **Industrial growth** – Supported by the Department of State Growth's 2015-2018 Corporate Plan, focusing on agriculture, tourism, manufacturing, forestry and mining sectors
- 5 **Population growth and housing growth** – The Tasmanian population is forecast to grow at 1.0% between FY17 and FY21. Housing prices in Tasmania increased 11.3% for the full year to March 2017, ranked no. 34 worldwide for growth in FY17



### **\$1.8 billion for Tasmanian Infrastructure Projects**

May 2017

As a result of the hard decisions we made upon coming to Government, the State is now back on track and we are able to reinvest the dividends into essential infrastructure projects.

The 2016-17 Budget includes funding for \$1.8 billion in infrastructure projects that touch all regions of the State and drive economic growth and create jobs.

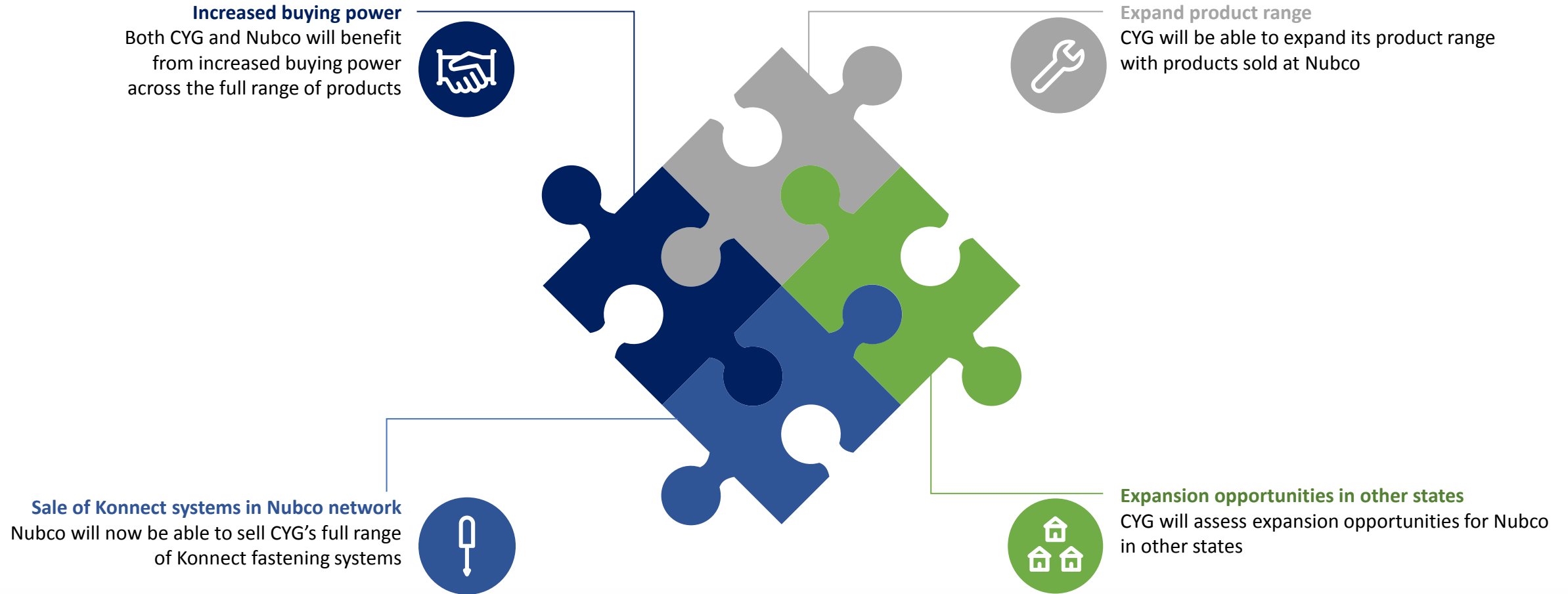
This includes an investment of \$656 million in road and bridge improvements, funded jointly by the State and Federal Governments. These projects will support jobs in the civil construction sector and address vital infrastructure needs to support our growing economy.

Other major commitments in this budget and over the forward estimates to upgrade Tasmania's infrastructure include:

- \$113 million to revitalise Tasmania's primary schools, high schools, colleges and TasTAFE training facilities - the biggest investment in education facilities in a generation.
- \$457 million for the Royal Hobart Hospital Redevelopment.
- \$60 million to implement the Government's priorities under Tasmania's Affordable Housing Action Plan 2015-2019, which will allow for the construction of around 900 new homes and support to access affordable homes in the private market.

# Nubco– Potential synergies

A number of potential synergy opportunities have been identified.





# Nubco – Management team

Experienced management team that will remain with the business.

Name	Role	Responsibilities	Tenure (years)
Paul Krawczyk	Managing Director	Strategy	16
Brett Hodgetts	Financial Controller	Financial reporting, accounts payable/receivables. payroll	16
Todd Cordwell	State Operations Manager	Store operations and HR	11
Nick Daw	Procurement Manager	Purchasing and inventory team, inventory control and import program	14

# 4. Combined Group Profile

Financial results are continuing to improve

# Nubco – Acquisition financial impact

## Attractive acquisition multiple

Acquisition price	→ \$36.0m
• Cash	→ \$34.2m
• Shares to vendor	→ \$1.8m
Sales FY18 actual	→ \$39.4m
EBITDA	
• FY18 actual	→ \$6.0m
• FY18 actual EBITDA Margin	→ 15.2%
Acquisition multiple (trailing)	
• Based on FY18 EBITDA	→ 6.0x

## Delivers immediate earnings to CYG

- Expected completion on 1<sup>st</sup> March 2019
  - 4 months profit contribution
  - FY19 forecast EBITDA contribution more than \$2m
- Positive impact on EPS, ROCI and ROE
- Accelerates utilisation of Coventry's tax losses
- Accelerates payment of dividends to shareholders

## Adds to CYG's ability to generate cash

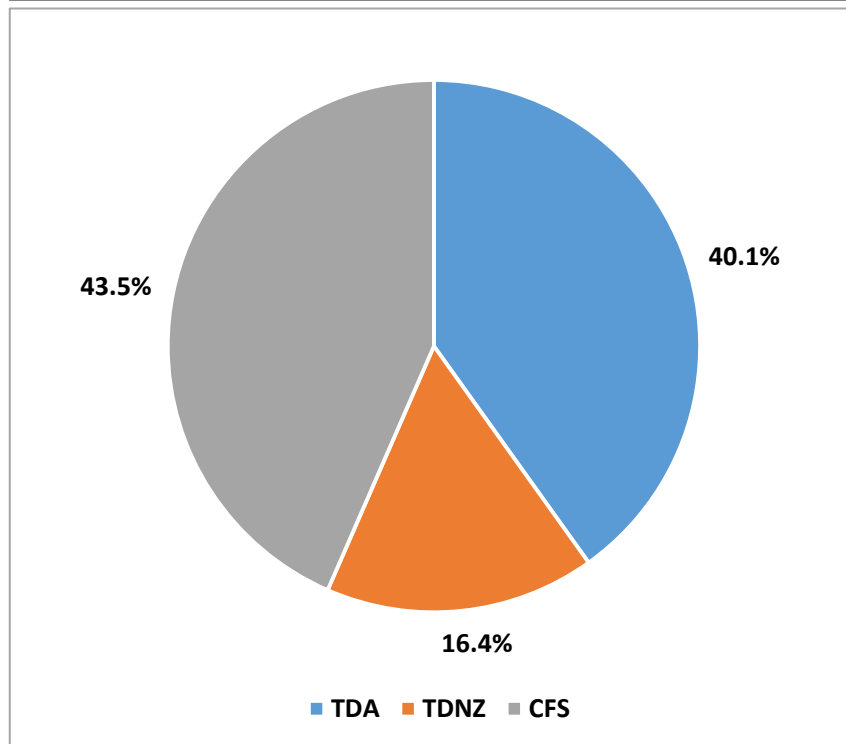
- High EBITDA cash conversion
- Low capex requirements

Source: Nubco. Nubco financial information is unaudited

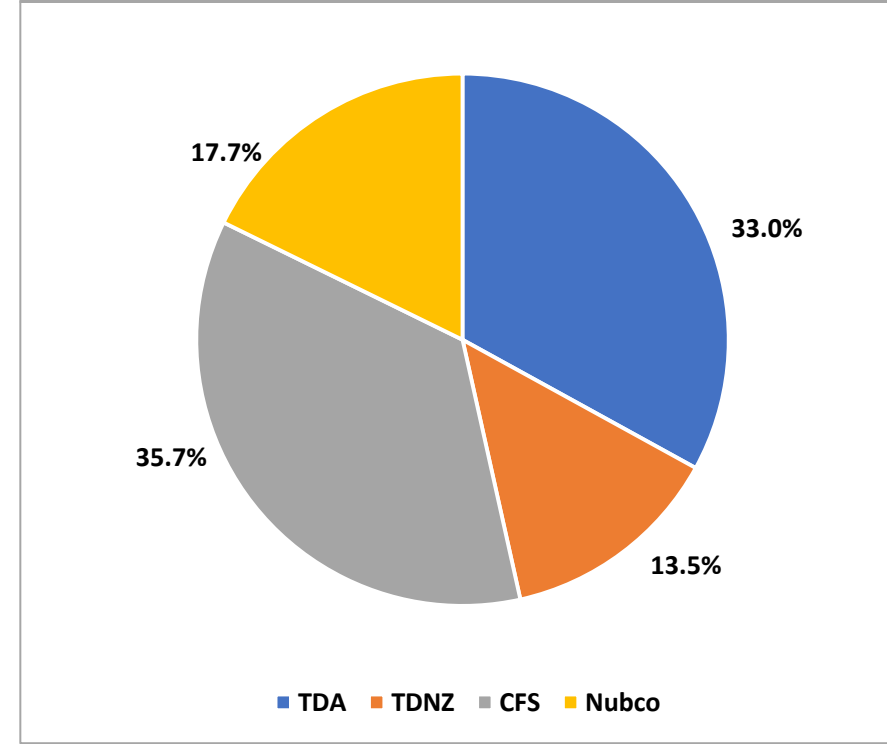
# Pro forma combined group profile

Nubco would become CYG's third largest division.

Pro forma FY18 Current sales split by business unit (includes Torque)<sup>1</sup>



Pro forma FY18 Current sales split by business unit (includes Torque)<sup>1</sup> & Nubco <sup>2</sup>



Source: Coventry announcements and Nubco

Note1: \$14m of new sales contribution from Torque acquisition, included in CFS. Note 2: \$39.4m of new sales contribution from Nubco acquisition

# Pro forma balance sheet

(A\$)	Coventry Dec-18 <sup>1</sup>	Nubco Dec-18 <sup>2</sup>	Fund Raising <sup>3</sup>	Pro forma Dec-18
Cash & cash equivalents	8.5	-34.2	36.3	10.6
Inventories	48.3	9.6	-	57.9
Trade and other receivables	25.7	3.9	-	29.6
Other current assets	3.3	0.4	-	3.7
<b>Total current assets</b>	<b>85.8</b>	<b>-20.3</b>	<b>36.3</b>	<b>101.8</b>
Property, Plant & Equipment	4.8	1.2	-	6.0
Intangible assets	14.2	26.3 <sup>4</sup>	-	40.5
Deferred tax assets	6.3	-	-	6.3
Other non-current assets	-	0.2	-	0.2
<b>Non-current assets</b>	<b>25.3</b>	<b>27.7</b>	<b>0.0</b>	<b>53.0</b>
<b>Total assets</b>	<b>111.1</b>	<b>7.4</b>	<b>36.3</b>	<b>154.8</b>
Trade and other payables	30.7	4.7	-	35.4
Other current liabilities	4.8	0.7	-	5.5
<b>Current liabilities</b>	<b>35.5</b>	<b>5.4</b>	<b>-</b>	<b>40.9</b>
Debt	-	-	10.0	10.0
Other non-current liabilities	3.4	0.2	-	3.6
<b>Non-current liabilities</b>	<b>3.4</b>	<b>0.2</b>	<b>10.0</b>	<b>13.6</b>
<b>Total liabilities</b>	<b>38.9</b>	<b>5.6</b>	<b>10.0</b>	<b>54.5</b>
<b>Total equity</b>	<b>72.2</b>	<b>1.8</b>	<b>26.3</b>	<b>100.3</b>

- Balance sheet remains conservatively geared given forecast return to profitability in FY19
- Balance sheet excludes the tax benefit of \$71.6m in tax losses to offset future profits

*Notes:*

1: Based on unaudited management accounts at 31 December 2018


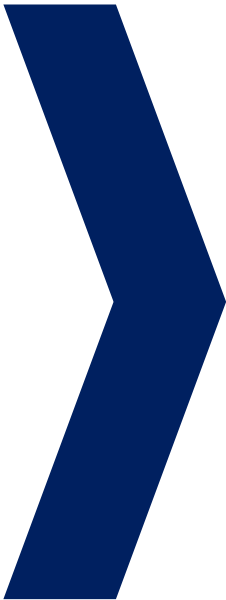

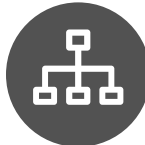

2: Based on unaudited management accounts at 31 December 2018 and anticipated completion adjustments

3: Fund raising comprises equity issue of \$27.6m less issue costs of \$1.3m and debt of \$10m

4: Goodwill of \$26.3m equals \$36m acquisition price less \$9.7m in net assets acquired

# Risk mitigation

Risk mitigation is a key focus of CYG.

Risks identified				Mitigation plan	
	Loss of management and key personnel			Senior management team retained	<ul style="list-style-type: none"><li>• Paul Krawczyk has entered into 2 year service agreement</li><li>• Other management to be retained</li></ul>
	Inability for Coventry to successfully integrate Nubco and its employees			Nubco to be operated as a stand-alone business	<ul style="list-style-type: none"><li>• Minimal integration</li><li>• No Nubco store closures</li><li>• Focus on procurement synergies</li></ul>
	Financial viability and growth prospects of the business is not as expected			Extensive due diligence completed	
	High customer concentration risk			Diversified customer base	



# 5. Summary and outlook

# Summary and outlook

① Experienced team is in place	Focus on sales growth and sustainable profitable growth
② Group sales growth	Has continued in first half of FY19
③ Our key markets are performing well	In mining and resources, construction and industrial sectors
④ Strong balance sheet	Post acquisition, conservative net debt level
⑤ FY18 initiatives implemented	Financial benefits to be fully realised in FY19
⑥ Growth opportunities exist in all business units	Market share, new branches and acquisitions



**Acquisition of Nubco will add to Group profitability in FY19**

# A. Risk Factors

# A. Risk Factors

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The risk factors summarised in this section may materially affect the financial performance of Coventry and the market price of its shares. To that extent, the shares in Coventry carry no guarantee with respect to the payment of dividends or return on capital.

Potential investors should note that risks are associated with any investment in the stock market. Returns from investments in Coventry will depend on the conditions of the market as well as the performance of Coventry. There are a number of risk factors, both relating to the general business environment and specific to Coventry, which may adversely impact on the operating performance, financial position and prospects of Coventry. Potential investors should consider that an investment in Coventry is speculative and should consult their professional advisers before deciding whether to apply for shares in Coventry. Nothing in this presentation is financial product advice and this document has been prepared without taking into account your investment objectives or personal circumstances.

The following is not intended to be an exhaustive list of the risk factors to which Coventry is exposed:

## A: General risks

### General market and share price risks

General economic factors such as interest rates, exchange rates, inflation, business and consumer confidence and general market factors may have an adverse impact on Coventry's performance, prospects or value of its assets. The market price of Coventry shares will fluctuate due to various factors, many of which are non-specific to Coventry, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, exchange rates, changes in government, fiscal and monetary and regulatory policies, changes to laws, global investment markets, global geo-political events and hostilities, investor perceptions and other factors that may affect Coventry's financial performance and position. In the future, these factors may cause Coventry shares to trade at or below their issue price.

## B: Risks relating to the Offer

### Underwriting risk

Coventry has entered into an underwriting agreement under which the Underwriter has agreed to fully underwrite the Entitlement Offer, subject to the terms and conditions of the underwriting agreement between the parties. If certain conditions are not satisfied or certain events occur, the Underwriter may terminate the underwriting agreement. Termination of the underwriting agreement would have an adverse impact on the proceeds raised under the Entitlement Offer. If the underwriting agreement is terminated Coventry would need to find alternative funding for the acquisition of Nubco, which could materially adversely affect Coventry's business, cash flow, financial condition and results of operations.

### Risk of dilution

You should also note that if you do not take up all of your entitlement under the Entitlement Offer, then your percentage security holding in Coventry will be diluted by not participating to the full extent in the Entitlement Offer.

# A. Risk Factors

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## C: Coventry risks

### Loss of key personnel or skilled workers

Coventry's ability to remain productive, profitable and competitive and to implement planned growth initiatives depends on the continued employment and performance of senior executives and other key members of management. Coventry's performance also depends on its ability to attract and retain skilled workers with the relevant industry and technical experience.

If any one of these individuals resigns or becomes unable to continue in his or her present role and is not adequately replaced in a timely manner, business operations and the ability to implement Coventry's strategies could be materially disrupted. The loss of a number of key personnel or the inability to attract additional personnel may have an adverse impact on Coventry's financial and operating performance.

There can be no assurance that Coventry will be able to attract and retain skilled and experienced employees and, should it lose any of its key management personnel or fail to attract qualified personnel, its business may be harmed and its operational and financial performance could be adversely affected.

### Loss making and access to finance

Coventry reported a loss from continuing operations of \$8.3m for the FY18 financial year. The ability to return the Group to profitability can be affected by all the risk factors stated in this document. Coventry's continued ability to effectively implement its business plan over time may depend in part on its ability to raise additional funds for future growth opportunities. Depending on economic and business conditions, equity or debt funding may not be available to Coventry, on favourable terms or at all. If adequate funds are not available on acceptable terms, Coventry may not be able to take advantage of opportunities or respond to competitive pressure.

### Redcliffe property

Coventry has a long term lease on a property in Redcliffe with sub tenants. Failure to retain existing tenants or replace existing tenants may have a material adverse effect on future financial performance and position.

### Competition risk

Increased competition in the areas in which Coventry operates could result in price reductions, under-utilisation of personnel, assets or infrastructure, reduced operating margins and/or loss of market share, which may have a material adverse effect on Coventry's future financial performance and position.

### Operational risk

Coventry is subject to operational risks resulting from inadequate or failed internal processes, systems, policies or policies, in addition to potential hazards normally encountered in the ordinary course of business. If these risks materialise, Coventry's operations could be disrupted which may have a material adverse effect on future financial performance and position.

# A. Risk Factors

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## C: Coventry risks (continued)

### Customer service

Coventry's ability to maintain relationships with major customers is integral to its financial performance. This in turn depends on its ability to offer competitive service standards and pricing. Poor performance in either area may lead to a loss of major customers which may have a material impact on Coventry's financial performance.

### Liability for defective work and performance

Coventry's operations carry a risk of liability for losses arising from defective work, including in some instances indirect or consequential losses suffered by third parties. Coventry attempts to decrease its exposure to liability contractually and maintains what it considers to be adequate levels of professional indemnity insurance, however, this will not protect Coventry from all claims that could be made against it. It is not always possible to obtain insurance against all risks and Coventry may decide not to insure against certain risks as a result of high premiums or other reasons. The occurrence of an event that is not fully covered, or covered at all, by insurance could have a materially adverse effect on Coventry's financial position.

### Litigation and disputes

Coventry may become involved in litigation or disputes, which could adversely affect financial performance and reputation.

### Intellectual Property

There can be no assurances that the validity, ownership or authorised use of intellectual property (including technology, know-how, trademarks, designs and patents (both owned and licensed) relevant to Coventry's business (including those relating from the acquisition of Nubco) will not be challenged, which could adversely affect Coventry's financial and operating performance.

### Occupational health and safety

If there were to be a failure to comply with the applicable occupational health and safety legislative requirements across the jurisdictions in which Coventry operates, there is a risk that non-compliance may result in fines, penalties and/or compensation for damages as well as reputational damage.

### Cyber risk

The failure of Coventry's information technology systems and / or security could result in financial loss, disruption or damage to the reputation of the business.

### Negative publicity

Coventry is subject to the risk that negative publicity, whether true or not, may affect stakeholder perceptions of Coventry's past actions and future prospects. Being listed on the ASX means that the Coventry is subject to risks relating to market expectations for its business and financial and operating performance. If Coventry does not manage these expectations in an effective manner, it could give rise to loss of investor confidence in its business and management and may adversely impact the trading price of Coventry shares.

# A. Risk Factors

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## D: Acquisition risks

### Completion risk

Coventry may terminate the Nubco share acquisition agreement in certain circumstances, including in the circumstance where certain conditions precedent have not been satisfied. If such termination rights are exercised, completion of the acquisition may not occur. Further, if completion of the acquisition does not occur, Coventry will need to consider alternative uses for the proceeds from the Offer, including applying them towards working capital, reviewing alternative investment opportunities, and/or considering ways to return the proceeds from the Offer to shareholders. Any failure to consummate the acquisition could materially and adversely affect Coventry and the price of its shares.

### Nubco performance risks

There is an inherent risk that the underlying assets of Nubco do not ultimately produce the financial returns anticipated due to:

- the potential disruption and diversion of management's attention from day-to-day operations;
- the inability to effectively integrate the operations, products, technologies;
- the inability to maintain uniform standards, controls, procedures and policies;
- the loss of key personnel; and
- the potential impairment of relationships with customers and suppliers, resulting in loss of contracts.

In addition, there is a risk that the Company may suffer loss or damage flowing from unforeseen events in relation to the underlying assets and liabilities of any potentially acquired business, which the Company may not be able to recover from its vendors.



## B. International offer restrictions

## B. International offer restrictions

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

### New Zealand

- This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the FMC Act).
- The New Shares are not being offered to the public within New Zealand other than to existing shareholders of CYG with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.
- Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:
  - is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
  - meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
  - is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
  - is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
  - is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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- This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 (the US Securities Act) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

# B. International offer restrictions

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# B. International offer restrictions

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