

ASX RELEASE

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Underwritten \$15m equity raising to fund acquisition of Torque Industries

26th September 2018

Coventry Group Ltd (ASX: CYG) is pleased to announce the acquisition of Torque Industries (**Torque Industries**) funded through a fully underwritten equity raising.

Highlights

- Coventry Group to acquire South Australian based Torque Industries for \$10.5m.
- Torque Industries' forecast FY19 EBIT is \$2.6m from \$14.0m of revenue.
- Torque Industries expands Coventry Group's Australian presence and positions Cooper Fluid Systems as a leading engineering services business in South Australia.
- The acquisition will be funded through an equity raising of \$15.0m, comprising:
 - An institutional placement to raise approximately \$6.4m; plus
 - An Accelerated Non-Renounceable Entitlement Offer to raise approximately \$8.6m.
- The equity raising is fully underwritten by Bell Potter Securities Limited (**Bell Potter**).
- The acquisition is aligned with plans geared to return the Group to profitability in FY19.

Coventry Group has entered into an agreement to acquire the business and assets of the South Australian based diversified engineering services provider trading under the name Torque Industries for \$10.5m in cash.

The acquisition is subject to standard conditions precedent for transactions of this nature and is expected to complete on 31st October 2018.

The Torque Industries acquisition will be funded through a \$6.4m placement to institutional shareholders and an \$8.6m pro-rata (1 for 5) accelerated non-renounceable entitlement offer (**Entitlement Offer**) to raise a total of approximately \$15.0 million (the Entitlement Offer and placement together being referred to as the **Offer**).

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

“Torque Industries provides Coventry Group with a large and modern South Australian based facility that will generate a more diversified and de-risked revenue stream, also allowing Coventry Group to gain a more stable footing in the South Australian market. Torque is an excellent business and meets all of Coventry Group's acquisition criteria. It has good profitability and a number of identified growth opportunities. We are pleased to welcome Torque Industries owners, Tony Neef, Leigh Thompson and Jethro Laundry, and the Torque team to Coventry Group. This business has developed excellent niches in its market which are a credit to the teams that have built them.”

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 Torque Industries

The business, based in South Australia, was established in 1985 and has grown and developed organically, as well as through acquisitions. Torque Industries has a well-established and respected reputation across a range of segments, including, hydraulics, pneumatics, filtration and automation products.

The business enjoys diversified revenue, sales and service streams, which caters to a range of industry sectors, including industrial, defence, agriculture, mining and manufacturing.

Torque Industries also benefits from strong supplier relationships, which include being an exclusive Australian distributor for Black Bruin, a tier-one Danfoss distributor and a leading distributor to Parker Hannifin in South Australia.

Torque Industries has a strong track record of performance and profitability. In FY19, the business is forecast to generate revenue of \$14.0m and EBIT of \$2.6m.

The acquisition price represents a multiple of 4.0x FY19 forecast EBIT.

Torque Industries' location provides Coventry Group with the unique opportunity to obtain a leading market share position in South Australia.

Acquisition aligned with Coventry Group's strategy

Torque Industries 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
- Diversified customer base with low reliance on mining and resource market
- >\$10m turnover
- Profitable business
- Management retention
- Clear post-acquisition integration and growth strategy
- Disciplined approach to value
- Ability to adapt to ASX corporate culture
- Attractive acquisition metrics

Acquisition funding

The Offer is fully underwritten by Bell Potter. Proceeds from the Offer will be used to fund the acquisition of Torque Industries and related transaction costs. The funds will also be used to expand the TD branch network and to fund working capital.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for one new Coventry Group fully paid share (**New Share**) for every five (5) existing Coventry Group shares held as at 7pm (AEST) on 28th September 2018 (**Record Date**).

All shares offered will be issued at a price of \$1.15 per New Share, which represents:

- a 8.0% discount to the last closing price of \$1.25 on 25th September 2018;
- a 6.1% discount to the theoretical ex rights price of \$1.22 based on the closing price of \$1.25 on 25th September 2018;
- a 9.9% discount to the 30 trading day Volume Weighted Average Price (**VWAP**) up to and including 25th September 2018 of \$1.277; and
- a 7.6% discount to the theoretical ex rights price of \$1.24 based on the 30 trading day VWAP of \$1.277.

Approximately 13.1 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 2nd October 2018.

The retail component of the Entitlement Offer (**Retail Entitlement Offer**) will be open from 3rd October 2018 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 3rd October 2018.

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. The Coventry Group chairman, Neil Cathie, has also entered into a sub-underwriting commitment with Bell Potter to subscribe for up to 150,000 shares under the shortfall under the Entitlement Offer. James Todd, a director of Coventry Group who does not currently hold any shares, has entered into a sub-underwriting commitment with Bell Potter to subscribe for up to 100,000 shares under the shortfall under the Entitlement Offer.

Offer timetable

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

Equity raising timetable		
1	ASX announcement of offer and trading halt	Wednesday 26 th Sept
2	Institutional Entitlement Offer and bookbuild	Wednesday 26 th Sept
3	Trading halt lifted and return to trading on ASX	Friday 28 th Sept
4	Record date for participation in Entitlement Offer	7.00pm (AEST) on Friday 28 th Sept
5	Retail Entitlement Offer opens and despatch of Retail Offer Booklet	Wednesday 3 rd Oct
6	Settlement of placement and Institutional Entitlement Offer	Thursday 4 th Oct
7	Allotment of placement and Institutional Entitlement Offer shares	Friday 5 th Oct
8	Retail Entitlement Offer closes	Friday 12 th Oct
9	Settlement of Retail Entitlement Offer	Thursday 18 th Oct
10	Allotment of Retail Entitlement Offer shares	Friday 19 th Oct
11	Normal trading resumes on all shares	Monday 22 nd Oct

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 Torque Industries 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 (AEST) on Monday to Friday.

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