

ASX RELEASE

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Coventry Group to acquire Steelmasters Group and announces fully underwritten A\$25m Institutional Placement and a \$2m Share Purchase Plan

15 April 2024

Coventry Group Ltd (ASX: CYG) (“Coventry Group” or “Company” or “CYG”) is pleased to announce that it has entered into an agreement to acquire 100% of the shares of Steel Masters Auckland Limited (“Steelmasters Group”), funded with a combination of debt through a new NAB Revolving Cash Advance facility and a \$25.0 million fully underwritten two-tranche placement (“Institutional Placement”).

Highlights

- Coventry Group to acquire Australia and New Zealand based Steelmasters Group for A\$42.1 million¹
- Steelmasters had FY23 sales revenue of NZ\$40.6 million and EBITDA² of NZ\$7.35 million
- The acquisition will result in pro forma FY24F EPS accretion of approximately 31% (including synergies³)
- The combined CYG and Steelmasters business would deliver forecast pro forma FY24F Revenue of A\$400.2² million, FY24F EBITDA² of A\$27.5 million (including A\$1.1 million of synergies³)
- Increase of CYG’s pro forma EBITDA² margin from 5.4% to 6.9%
- Industrial supply market focussed acquisition which aligns with CYG’s M&A strategy
- Leverage of ~1.9x Net Debt² to pro forma FY24F EBITDA², with Net Debt² to EBITDA² expected to reduce below 1.5x by 30 June 2025. Net debt positively impacted by the completion of the ERP project in December 2024 and the availability of tax losses in Australia
- The acquisition will be funded with a combination of approximately A\$18.4⁴ million through a new NAB Revolving Cash Advance facility and a \$25.0 million fully underwritten two-tranche Institutional Placement
- CYG is also undertaking a \$2.0 million non-underwritten Share Purchase Plan (“SPP”) to all eligible shareholders, with proceeds used to reduce net debt

Coventry Group’s Managing Director and CEO, Robert Bulluss said, *“The Acquisition of Steelmasters represents an exciting leap forward in the expansion of Coventry Group and is fully aligned with our stated acquisition criteria. We are delighted to welcome such a highly complementary business into*

¹ Acquisition price is NZ\$45.0m

² Net Debt and EBITDA is presented on a pre-AASB16 basis (excluding lease liabilities and occupancy expenses) using the midpoint guidance range for CYG FY24F Sales and EBITDA

³ Pro forma FY24F metrics include \$1.1 million of buying synergies

⁴ CYG will temporarily fully draw down on the facility to fund the acquisition until Tranche Two Placement funds have been settled (subject to shareholder approval via an EGM on or around 23 May 2024)

⁵ EPS accretion calculation has been performed for the financial year ended 30 June 2024 using the midpoint guidance range for CYG FY24 Sales and EBITDA and includes \$1.1 million of synergies. It also includes the Equity Raising and issuance of 17.2m New Shares as part of the Institutional Placement

⁶ Based on an exchange rate of NZ\$1.07

the Coventry Group and I am excited about the significant benefits the acquisition will bring for our shareholders, customers, suppliers and employees."

About Coventry Group

Coventry Group provides specialist industrial services and solutions to the Mining and resources, Roofing and cladding, Building and construction, Industrial, Manufacturing and Infrastructure sectors, supplying a range of fastening systems, cabinet hardware systems, hydraulics, lubrications, fire suppression, refuelling systems and other products.

Coventry Group operates under two key business segments; Trade Distribution (**TD**) and Fluid Systems (**FS**) and operates from 86 locations across Australia and New Zealand.

The Company has delivered significant sales and earnings growth since FY17 through a combination of organic growth, operational improvements and acquisitions.

About the Steelmasters Group

Founded in 1973, Steelmasters Group is a leading Australasian supplier and manufacturer of industrial and speciality fasteners through its network of 12 branches (four in New Zealand and eight in Australia) with its head office in Auckland, New Zealand. The Steelmasters Group operates under several brands, 'Steelmasters' and 'Galvmasters' in New Zealand and 'Boltmasters' and 'Profast' in Australia. FY24 sales revenue is forecast to be NZ\$40.3 million (split 54% Australia and 46% New Zealand) and normalised EBITDA² of NZ\$7.36 million.

The total consideration comprises a A\$42.1⁶ million upfront payment and is subject to certain conditions and customary working capital and net debt adjustments. The acquisition price represents a multiple of 6.1x EBITDA². The total consideration will be funded via a combination of proceeds from the Institutional Placement and the additional debt facility.

Coventry Group will operate Steelmasters Group as a separate division of TD to minimise integration risk and the division will continue to be run by Steelmasters Group's existing management team.

The acquisition is scheduled to be completed on 30 April 2024.

Acquisition aligned with Coventry Group's strategy

Steelmasters Group, represents a compelling profitable growth opportunity which is consistent with Coventry Group's growth strategy and key acquisition criteria. The acquisition will:

- Increase Coventry Group's customer base and industry exposure;
- Broaden the TD segment's scale and reach through an additional 12 locations (8 in Australia and 4 in New Zealand);
- Expand the specialised fastener product range and add manufacturing capability;
- Deliver pro forma FY24F EPS accretion⁵ of approximately 31% (including synergies³);
- Deliver cost synergies from procurement savings (improved trading terms) and logistics savings (leveraging CYG's import capability and freight consolidation);
- Deliver revenue synergies from accelerated growth, cross selling opportunities and expanded product range; and
- Accelerate the utilisation of tax losses.

Coventry Group trading update

Based on 9 months of actual performance and 3 month of forecast, Coventry Group is expecting to report continued sales and earnings growth for FY24:

- FY24F sales revenue of \$357.5 million to \$367.5 million (unaudited), being 1.2% higher using the mid-point from FY23; and
- FY24F EBITDA² (unaudited, pre AASB16 and before one-off/significant items) of \$19.0 million to \$20.0 million, being 14.7% higher using the mid-point from FY23.
- FY24F NPAT (unaudited and before one-off/significant items) of \$9.2 million to \$10.2 million.

Growth has been driven by the Company's strong value proposition, activity in key market sectors, acquisitions and diversification into new markets, margin improvements and sensible cost control.

New NAB revolving cash advance facility

Coventry Group has established a new NAB Revolving Cash Advance Facility of A\$25.0 million to accommodate the acquisition. Coventry intends on drawing down ~\$18.4⁴ million of the new debt financing facility to fund the acquisition. Key terms of the new facility are:

- Maturity date 31/07/2027
- Minimum \$6.0m repayable annually
- Drawn Margin: BBSY + 2.2%
- Any undrawn limit or repaid balance, can be redrawn for future Permitted Acquisitions.

Post the acquisition and capital raising, the pro forma net debt to FY24F EBITDA² ratio (leverage ratio) will be approximately 1.9x. The leverage ratio is expected to decline to less than 1.5x by the end of FY25, consistent with the Board of CYG's target leverage ratio. Net debt to be positively impacted by reduction in cash outflows associated with the new ERP system over the remainder of 2024, combined with organic profit growth, Steelmasters earnings contribution and the availability of tax losses in Australia.

Equity Raising

The Company will undertake a \$25.0 million fully underwritten Institutional Placement and a \$2.0 million non-underwritten SPP to all eligible shareholders.

The \$25.0 million Institutional Placement comprises a:

- First tranche raising up to A\$20.7m within Coventry's placement capacity under ASX Listing Rule 7.1; and
- Second tranche raising a minimum of A\$4.3m to accommodate participation from related parties, substantial shareholders and CYG Directors, which is subject to shareholder approval via an Extraordinary General Meeting ("EGM").

All New Shares under the Offer will be issued at a price of \$1.45 per New Share ("**Offer Price**"), which represents:

- 1.4% discount to the last traded price of \$1.470 on 12 April 2024;
- 1.4% discount to the 5-day VWAP of \$1.470; and
- 2.2% discount to the 10-day VWAP of \$1.483.

Approximately 17.2 million new Coventry Group shares will be issued under the Institutional Placement (“**New Shares**”), representing 18.1% of Coventry’s existing shares on issue.

Each New Share will rank equally with existing Coventry Group shares on issue.

Coventry Group will seek quotation of the New Shares on the ASX upon issue.

Eligible new and existing institutional shareholders (being institutional shareholders in Australia, New Zealand, Hong Kong and Singapore) will be invited to participate in the Institutional Placement.⁴ Coventry Group has requested a trading halt to complete the Institutional Placement.

CYG will offer all eligible shareholders the opportunity to participate in a \$2.0 million non-underwritten SPP. The SPP is capped at \$30,000 per eligible shareholder with a registered address in Australia or New Zealand at 7:00pm (Sydney time) on Friday 12 April 2024. The SPP is scheduled to open on 23 April 2024 and scheduled to close at 5.00pm (Sydney time), 14 May 2024.

An offer booklet in respect of the SPP is expected to be mailed to eligible retail shareholders on 23 April 2024.

Bell Potter Securities Limited is acting as corporate advisor to the Equity Raising.

Bell Potter Securities Limited and Petra Capital Pty Ltd are acting as Joint Lead Managers, Underwriters and Bookrunners to the Institutional Placement.

Timetable

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

EVENT	EXPECTED DATE
Record date for SPP	7.00pm Friday, 12 April 2024
Trading Halt, Equity Raising announced and investor presentation lodged to the ASX	Monday, 15 April 2024
Institutional Placement bookbuild	Monday, 15 April 2024
Trading halt lifted	Wednesday, 17 April 2024
Settlement of Institutional Placement SPP Offer opens and booklet made available	Tuesday, 23 April 2024
Allotment and normal trading of New Shares under the Institutional Placement	Wednesday, 24 April 2024
Acquisition Completion	Tuesday, 30 April 2024
SPP Offer closes (5.00pm AEST)	Tuesday, 14 May 2024
SPP results announced	Thursday, 16 May 2024
Settlement of funds for SPP	Thursday, 16 May 2024
Allotment of SPP shares Dispatch of holding statements	Friday, 17 May 2024

EGM to approve the issue of Tranche 2 Placement Shares	On or around Thursday, 23 May 2024
Settlement of funds from Tranche 2 Placement	On or around Tuesday, 28 May 2024
Allotment of Tranche 2 Placement Shares	On or around Wednesday, 29 May 2024

Note: The above timetable is indicative only and subject to change. The commencement of trading and quotation of New Shares issued under the Placement and SPP is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, CYG reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice. All times above are to Sydney, Australia time.

Further information

Further details of the Steelmasters acquisition and the Equity Raising 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.

Authorised for release by the Board of Directors of Coventry Group Limited.

For further information contact:

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