

# ALLEGRO NEWS



## WELCOME

Welcome to the Spring edition of the Allegro 2020 newsletter. Our year so far has been busy in a very different way. We're excited to share with you what we've been up to during this time, and our general view on the market going forward.

The world today is very different to the way it was 12 months ago. And we think a lot of this change is permanent. The onset of the COVID global pandemic has far reaching impacts, much more than the Global Financial Crisis of 2008. We are seeing these impacts in the way we manage our existing portfolio companies, as well as how we source and review potential investment opportunities.

One would naturally think that our pipeline of investment opportunities would be overflowing. The market is very different to what we expected in April. Many businesses operating cash flows are being supported by government subsidies, especially "JobKeeper", which is an Australian government assistance program designed to help businesses affected by the Covid-19 crisis cover the cost of their employees' wages, so that more employees can retain their jobs and continue to earn an income. In addition, banks willingness to defer interest and principal repayments on loans has led to significant liquidity increases for both businesses and everyday Australians. As a consequence, retail sales are up 3.3% in July, despite ongoing COVID

problems and lockdowns, whilst insolvencies are down 55% in June.

Our future deal flow will be driven by a material drop in business cash flows, likely triggered by coming reductions in government subsidies and tightening finance obligations. Reinstatement of insolvency law obligations will also encourage directors to act. We will look to partner with stakeholders where we can provide capital as well as utilise our substantial restructuring and transformation expertise to help them create value. We feel confident about future deal flow, and we are resourced to take advantage of this.

We are very happy to report that all of our portfolio companies have traded well to date throughout this pandemic, and have set themselves up to continue to trade well as the environment normalises. This is as a result of our portfolio companies identifying and pulling several levers, focused on maintaining their own profitability, liquidity and strengthening their own balance sheets. They too utilised different government assistance measures and we feel are well placed for when these are wound back.

Deals completed over the last 12 months include the acquisition of Australian industrial services firm, Questas, West Australian radiological group, PRC, and Value Retail

Group, which consists of the Australian iconic brand Best & Less and Postie in New Zealand. We have made positive progress with these businesses since their acquisitions. We wish you all good health during these unprecedented times. Please don't hesitate to contact Adrian, Chester or your usual Allegro contact for more information.

Best wishes,  
Chester and Adrian





## MARCH 2020 AGM

At the beginning of March, we held our 2020 Annual General Meeting (AGM). This was the first time that we live-streamed the event as well as hosting attendees in person. The AGM gave all attendees an update on the activities within each of our portfolio companies, and a deep dive into our three most recent acquisitions. We had approximately 100 people in physical attendance and a further 40 people attending virtually via the live stream.

## OUR PORTFOLIO COMPANY IN THE SPOTLIGHT – VRG

Since our last newsletter back in mid-2019, we have successfully completed the acquisitions of Questas, PRC and Value Retail Group (VRG). We are very happy

with the progress we have made with each business so far, especially given how they have traded through a difficult environment. If you would like more information about any of these businesses, please contact us. We thought it would be interesting for us to ‘spotlight’ one of these deals in particular – VRG.



VRG was a complicated restructuring deal which we completed during December 2019. It was made up of several household brands operating in Australia and NZ. Today VRG comprises two iconic retail brands: Best & Less and Postie (NZ). The group has over 240 stores and more than 4,000 employees (June 2020). The administration and eventual sale of Harris Scarfe, also previously a part of VRG, is now complete.

VRG is headed by one of the retail industry’s leading experts – Jason Murray. Jason has vast

experience across many facets of the Australian retail landscape. We have been working with Jason in understanding not only the operations of the businesses within VRG, but also many of the retail opportunities we see coming into our pipeline. Jason has surrounded himself with other experienced retail industry operators. The teams at Best & Less and Postie NZ are best-in-class and a wonderful addition to the Allegro family.



Best & Less has been a particularly solid performer during lockdown, we think a reflection of the value end, essential nature of its product range. We are in the middle of finalising strategy and a value creation plan that we will then embark on executing over the coming period. We are excited about what the future holds for this business especially as lockdown measures are relaxed.

Postie has also had a strong period during lockdowns in NZ. It also operates at the value end of the household goods space, and this has seen its customer base continue to spend.

The acquisition of VRG builds on Allegro’s already established experience in the retail space.

We have owned, and continue to own, several other retail facing businesses. This is a unique and complex space, and one that needs to be approached in a structured manner. We would be happy to share with you our thoughts on the Australian or NZ retail space, so please do not hesitate to reach out.

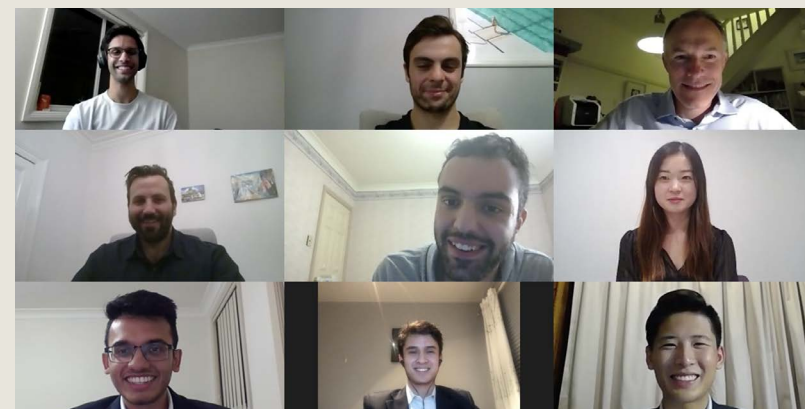
## ALLEGRO UNIVERSITY CHALLENGE

Since our last newsletter, we have hosted two university challenges in partnership with The UNSW Alternative Investment Society (AISOC) and The University Network for Investing and Trading (UNIT). Both are student-run societies that aim to foster a greater understanding of, and interest in alternative investments.

We recently took over sponsorship of this competition, and invited competing students to submit an investment proposal for a hypothetical deal.

COVID lockdowns did not hold anyone back. Student teams formed, and compelling investment proposals were produced. We were so impressed with the quality of responses which ended with a shortlist of teams pitching their proposal to the Allegro “Investment Committee” over Zoom. It was fantastic for us to not only meet exceptional students and hear their thinking, but also to help shape their education and provide them with experience to kick start their careers.

The winners from our 2019 competition were Goldstein Capital



and the 2020 competition were Ascendant Advisory pictured below.

Uddhav Bhargava, one of our Investment Analysts and coordinator of the challenge did a fantastic job. "It's fantastic to be involved with UNSW and its students. The challenge not only brings fresh and unique ideas into Allegro, but also allows us to give feedback to the students and help them refine their skill set. It's a great experience and one we hope to continue to take part in."

# WINNERS OF THE 2019 AWARD FOR LEADERSHIP IN DIVERSITY AND INCLUSION

We were awarded the Australian Investment Council 2019 Award for Leadership in Diversity & Inclusion at the annual conference in September last year. The Leadership in Diversity and Inclusion Award recognises those private capital investment firms whose diverse range of people within their organisation includes a wide range of backgrounds that encompasses different skills, talents and perspectives. It also recognises those firms who celebrate inclusive workplace environments that promote individual differences,



embrace team strengths and provide initiatives and opportunities for all team members to fulfill their potential.

Since this award, Chester has been named by the Australia Investment Council as Champion for Change, which shows strength and commitment from Allegro to making change happen.

# ALLEGRO MOVERS AND SHAKERS

## Melita joins Allegro as Human Capital Operating Partner

Melita Swartz joined us as a Human Capital Operating Partner. Melita came to us from I-MED Radiology Network, a previously held Allegro portfolio company, where she was the General Manager of HR & Organisational Development. Melita will work in the portfolio companies as an Operating Partner, but also within Allegro internally.

## Robert Thorpe Promoted to Managing Director

We were pleased to announce the promotion of Robert Thorpe in January 2020 from Finance Director to Managing Director, Finance and Operations. Robert has been with Allegro for four years and has proven himself to be integral to the operations of Allegro with a high quality focus that we encourage all our team members to strive for.

## The Deal Team Gains a New Investment Analyst

Sally Badger, joined the team recently as an Investment Analyst. Our first hire during COVID lockdown, Sally came to us from Ernest and Young where she was a Senior Consultant in the transaction and due diligence team. We're looking forward to getting Sally involved across our deals and existing portfolio companies.

## Allegro's Jeffrey Largier joins TMA Australia as Board Director

Our very own Investment Director, Jeffrey Largier joined TMA Australia as a director and member of its governing board. TMA Australia, which is the Turnaround Management Association, is a professional body that has evolved as an integral part of Australia's corporate turnaround community.

As we move forward as an economy and a country into a post COVID environment the value of the turnaround industry will come to



MELITA SWARTZ



ROBERT THORPE



SALLY BADGER



JEFFREY LARGIER

the fore. We are proud of our long association with the TMA and are committed to playing our part in the turnaround stories that will shape our future.

CURRENT PORTFOLIO









EXITED PORTFOLIO









CONTACT US

Our newsletter will be shared with you seasonally moving forwards. With the next coming in the Summer months.

For further information or to speak to one of our team, please visit our website [www.allegrofund.com.au](http://www.allegrofund.com.au), or call +61 (0) 282288781 or email us at [enquiries@allegrofund.com.au](mailto:enquiries@allegrofund.com.au).