

CASE STUDY

CELLNET GROUP

Between 2006 and 2008 CVC acquired a controlling interest in Cellnet, an ASX listed distributor of IT, Telecommunications and Audio-Visual equipment to the Australian and New Zealand markets, based in Brisbane.

During this time CVC orchestrated the demerger of Cellnet's mobile content and distribution business, Mercury Mobility, via an in specie distribution to Cellnet shareholders, fully underwriting the \$3m capital raise for subsequent listing on the ASX under the ticker MMY. This company, through further mergers and acquisitions, now trades as Grays Ecommerce Group (ASX:GEG), Australia's largest eCommerce group.

With the onset of the global financial crisis in 2008 and declining margins for IT distributors, a number of restructuring initiatives were undertaken at Cellnet. In particular the low margin, working capital intensive IT distribution business was exited along with overhead reduction in line with reduced business activity. The remaining business was structured to focus on the higher margin retail distribution business. Although trading at a much lower revenue base than before, the business was

successfully returned to profitability from 2010.

As a result of the restructure, a significant amount of cash was released from inventory and debtors. After an unsuccessful foray into the online retail business segment, the decision was made to return cash to shareholders via a \$5.8m special dividend in 2012.

In 2014, under new leadership, Cellnet took the decision to undergo a corporate rebrand along with consolidation and re-launch of its in-house brands under the 3sixT consumer brand. In doing so, Cellnet successfully increased gross margins to sustainable levels by focusing on a core portfolio of consumer brands and leveraging its sourcing and kitting capabilities in south-east China.

Cellnet is now the leading distributor of smartphone, tablet and hybrid accessories to Telecommunications and Consumer Electronics retailers in the Australian and New Zealand markets, and actively pursuing opportunities for organic and acquisitive growth.

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