

SANDON CAPITAL

# Sandon Capital Investments Limited

## Annual General Meeting

25 November 2021

SANDON CAPITAL

# Welcome to the Annual General Meeting of Sandon Capital Investments Ltd

---

The Company Secretary will contact you via the  
Chat icon  to register your attendance

Following the AGM there will be an investment  
update

## SANDON CAPITAL

### Questions

Please raise your digital “hand”  **Raise Hand** using the Zoom Function to ask questions



This can be found under the “reactions” icon or through the “participants” icon on your smartphone, tablet or computer

# AGM – ordinary business

## Financial Statements and Reports

- To receive and consider the Company's annual financial report, including the directors' report and audit report for the year ended 30 June 2021

## FY2021 Financial Statement Highlights

- \$56.5 million revenue, up 837%
- \$37.3 million net profit after tax, up 531%
- Ordinary Fully Franked Final Dividend 2.75 cps, up 10%
- Special Fully Franked Dividend 1.00cps

## Strong Dividend Capacity

- 28.9 cps Profits Reserves<sup>1</sup>
- 7.7 cps Franking Credits<sup>1</sup>



1. as at 31 October 2021 and before payment of announced special dividend

# AGM – ordinary business

## Resolution 1 – Adoption of the Remuneration Report

- To consider and if thought fit pass the following resolution as an ordinary resolution:

*“That , for the purpose of Section 250R(2) of the Corporations Act, approval is given for the adoption of the Remuneration Report as contained in the Company’s annual report for the financial year ended 30 June 2021.”*

## Proxy voting results – Resolution 1

	Number	% <sup>2</sup>
FOR	5,424,146	50.38%
AGAINST	677,747	6.29%
OPEN – Nominated Chair <sup>1</sup>	4,665,572	43.33%
– Other Nomination	-	-
ABSTAIN	50,770	-

- To be voted in favour of the resolution
- Of proxies cast



# AGM – ordinary business

## Resolution 2 – Re-election of Peter Velez as a Director

- To consider and if thought fit pass the following resolution as an ordinary resolution:

*“That Peter Velez, who retires in accordance with clause 6.1(e) of the Company’s constitution and, being eligible for re-election, be re-elected as a Director.”*

## Proxy voting results – Resolution 2

	Number	% <sup>2</sup>
FOR	7,093,501	59.83%
AGAINST	73,170	0.62%
OPEN – Nominated Chair <sup>1</sup>	4,688,474	39.55%
– Other Nomination	-	-
ABSTAIN	32,539	-

- To be voted in favour of the resolution
- Of proxies cast



# AGM – ordinary business

## Resolution 3 – Approval of Additional 10% Placement Capacity

- To consider and if thought fit pass the following resolution as an ordinary resolution:

*“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of equity securities up to 10% of the issued share capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.”*

## Proxy voting results – Resolution 3

	Number	% <sup>2</sup>
FOR	6,673,482	56.55%
AGAINST	438,060	3.71%
OPEN – Nominated Chair <sup>1</sup>	4,690,392	39.74%
– Other Nomination	-	-
ABSTAIN	85,750	-

- To be voted in favour of the resolution
- Of proxies cast



## SANDON CAPITAL

For those shareholders that have NOT voted on today's proceedings, please email the Company Secretary, [sushmak@mertons.com.au](mailto:sushmak@mertons.com.au).

---

Upon receipt of your email, you will be forwarded a poll card for your completion and return to the Company Secretary.

Thank You For Your Attendance



This presentation is prepared by Sandon Capital Investments Limited (SNC) for general information purposes only. The information contained in this presentation is for information purposes only and has been prepared for use in conjunction with a verbal presentation and should be read in that context.

The presentation is not a recommendation, offer or invitation by any person or to any person to buy, sell or apply for securities or interests in any company. You should not construe the contents of this presentation as tax or investment advice. No financial product advice is provided in this presentation and nothing in it should be taken to construe a recommendation or statement of opinion that is intended to influence a person in making a financial product decision.

Neither SNC, its manager, Sandon Capital Pty Ltd (Sandon Capital), nor any related or associated companies guarantees the performance of SNC, the return of investor's capital or any specific rate of return.

Nothing in this presentation takes into account any person's investment objectives, financial situation or particular needs. You should seek advice before making any investment decision.

The projected results and any forward-looking statements contained in this presentation are not historical facts. They are based on current expectations, speak only as of the date of this presentation, as the case may be, and are susceptible to a number of risks,

uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those expressed or implied by such projected results and statements. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of SNC and Sandon Capital. Although we believe that the assumptions underlying any projected results and forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this presentation will prove to be accurate.

In light of the significant uncertainties inherent in such forward-looking statements, the inclusion of such information should not be regarded as a representation to future results or that the objectives and plans expressed or implied by such forward-looking statements will be achieved. We will not undertake, and specifically decline any obligation to disclose the results of, any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of any events. In addition, it is our policy generally not to make any projections as to future results, and we do not endorse any projections regarding future performance that may be made by third

parties.

Any quoted performance is post fees and expenses but before tax and assumes distributions were reinvested. Dollars are AUD, unless otherwise stated. We are not responsible for the statements made by or attributed to others in this presentation. Past performance is no guarantee, nor does it provide any indication, of future returns.

### **Lonsec Research Disclosures**

The rating issued October 2021 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager, Sandon Capital Pty Ltd. Visit [lonsec.com.au](http://lonsec.com.au) for ratings information and to access the full report. © 2020 Lonsec. All rights reserved

# Looking back on FY21

## REVENUE

\$56.5 million

## NET PROFIT AFTER TAX

\$37.3 million

## DIVIDENDS ANNOUNCED

2.75 cps Final

1.00 cps Special

## Exceptional Investment Returns

- 68.3% gross portfolio return in FY21
- Significant outperformance of broader market indices
- Reporting Season very positive overall for SNC portfolio companies

## SNC has grown

- Through investment returns
- A successful, equitable entitlement offer raised \$22.4 million
- SNC has more than 2,800 shareholders, an increase of more than 10% from a year ago

## 10% Increase in Dividends

- Ordinary Fully Franked Final Dividend 2.75 cps, up 10%
- Board expects to pay a similar FY22 interim dividend
- Special Fully Franked Dividend 1.00cps

## Strong Dividend Capacity

- 28.9 cps Profits Reserves<sup>1</sup>
- 7.7 cps Franking Credits<sup>1</sup>



1. Before payment of announced special dividend

# Investment Performance

As at 31 October 2021

Gross Performance <sup>1,2,3</sup>	1 month	1 year	2 years % p.a.	3 years % p.a.	Since Inception (Annualised)
<b>Sandon Capital Investments Limited</b>	<b>3.7%</b>	<b>57.2%</b>	<b>22.6%</b>	<b>18.9%</b>	<b>13.3%</b>
All Ordinaries Accumulation Index	0.1%	29.0%	9.8%	12.9%	9.6%
Outperformance	3.5%	28.3%	12.8%	6.0%	3.7%

1. The SNC Gross Performance is after investment management fees and brokerage but before performance fees, corporate expenses and taxes. Index returns are before all fees and expenses and before any taxes. Dividends paid during the period are included when calculating SNC's gross investment performance.

2. Note: past performance is no indication of future returns.

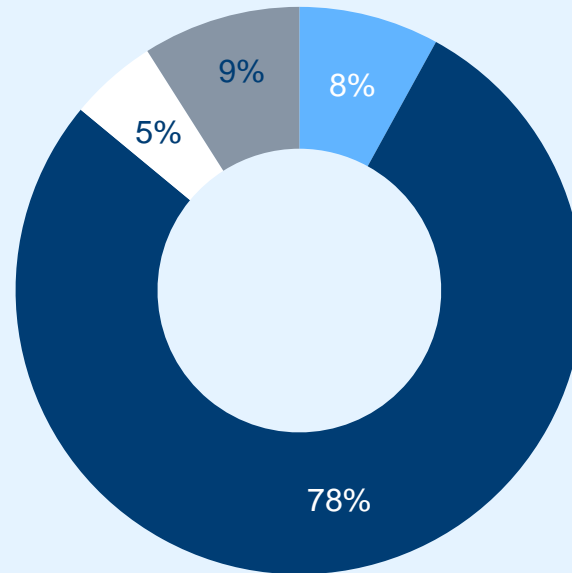
3. Numbers may not add due to rounding

# Portfolio Snapshot

## KEY POINTS

- Exposure to industrial economy and tailwinds from government stimulus
- Reporting season
  - Results overall positive
  - Embedded growth opportunities remain
- Despite increases, many share prices represent undemanding valuations
- Investment Manager sees attractive opportunities to deploy additional capital

## Portfolio Composition



■ International Listed ■ Australian Listed ■ Unlisted ■ Cash

Gross Portfolio composition as at 31 October 2021. All figures are approximate.

## TOP 5 POSITIONS

Fleetwood

COG Financial Services

City Chic Collective

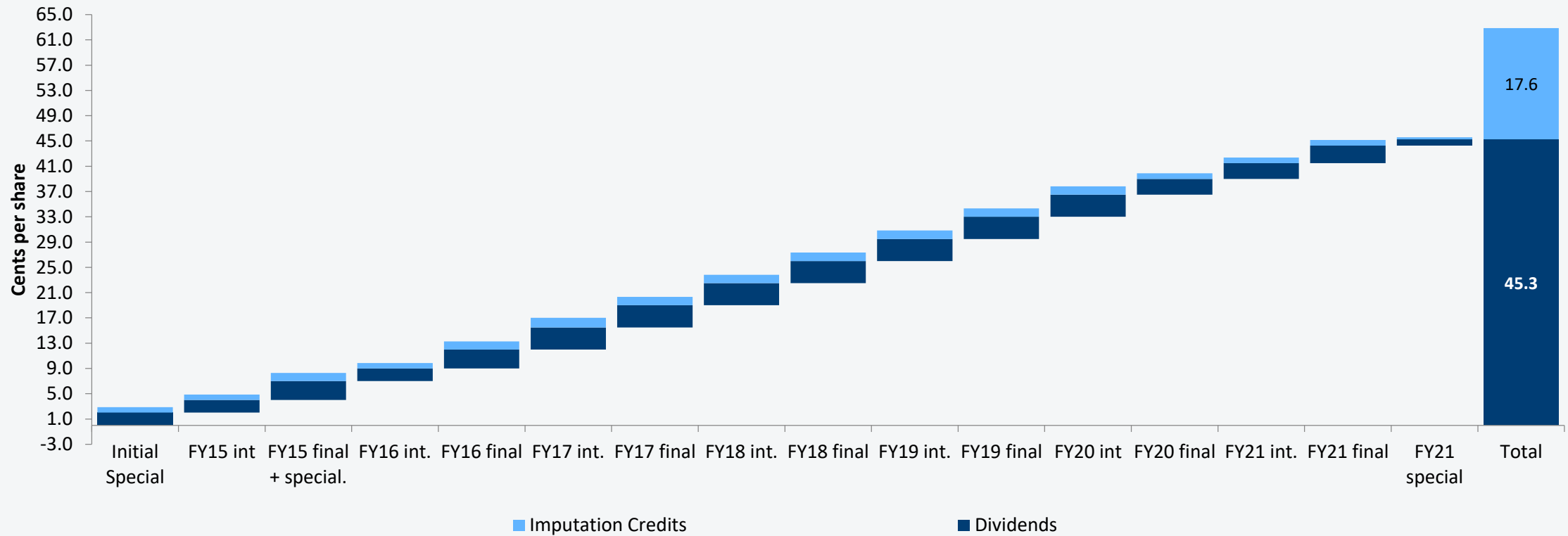
BCI Minerals

IDT Australia

As at 31 October 2021, ranked by value

# Dividends

Dividend policy is to pay a growing stream of fully franked dividends

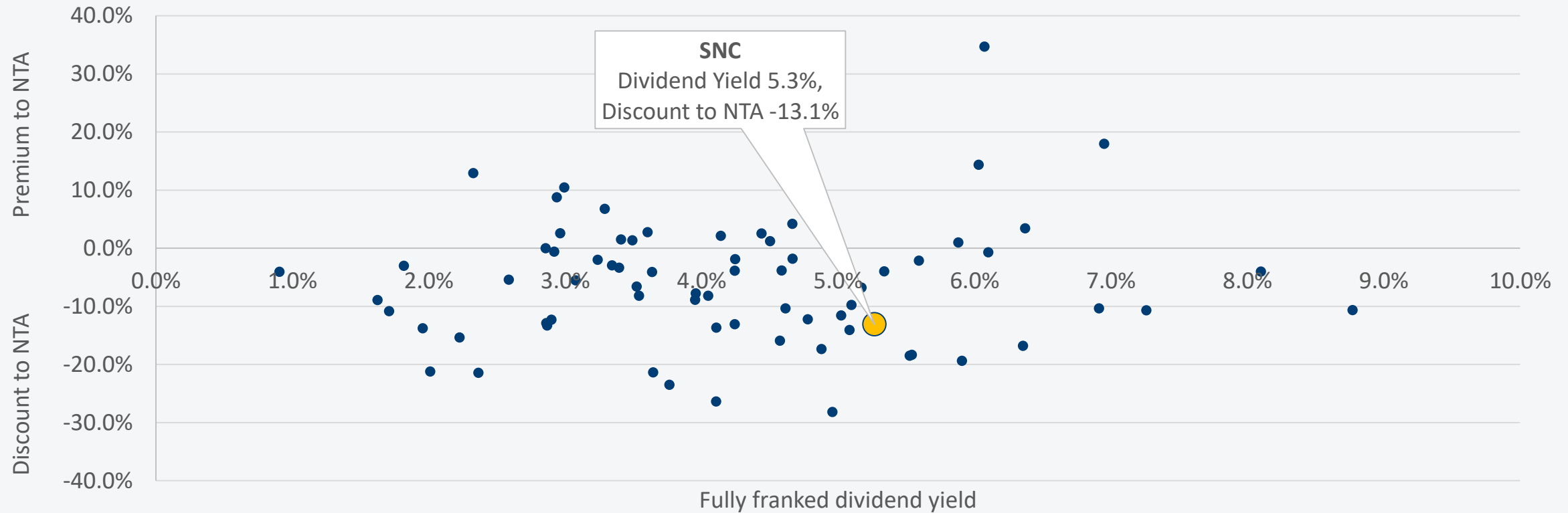


\* The Board expects to pay dividends of a similar amount to the most recent final dividend, subject of course to prudent business practice and the availability of profits and franking credits.

# SNC opportunity

SNC offers one of the highest fully franked yields

Current share price is an opportunity to buy 5.3% annualised fully franked yield at a 13.1% discount to NTA



Source: Bloomberg, Sandon Capital analysis. SNC data assumes share price of \$1.01 per share.



## ACTIVISM IN ACTION

Sandon Capital and other shareholders campaigned against the Board at the recent AGM

50.3% votes against Remuneration Report

42.0% votes against re-election of Chairman

A2B is aiming to compete head-on with local and global giants in the payments market

We believe their strategy is naïve and optimistic

Property assets revalued by company to \$81m. We believe this value assumes current use

We believe these assets could be worth in excess of \$100m under alternate uses

Recovery of taxi industry, even if not to pre-COVID levels, offers significant earnings upside

Company announcements raise more questions than they answer

## ABOUT

A2B describes itself as a “payment and mobility systems and services company”

A2B’s dominance of the taxi payments systems, through Cabcharge, has eroded over the years. Impact of global ride share platforms has been significant.

## THE INVESTMENT OPPORTUNITY

- Although in decline for years, COVID-19 restrictions provided a compelling buying opportunity with significant recovery and operational potential
- A2B can become an attractive, albeit low-growth, cash generator
- Value underpinned by significant property holdings whose true worth is not reported in financial statements

INITIAL PURCHASE

August 2020

PERSONAL CASE STUDY: SMALL-MID CAP

# Fleetwood Corporation Ltd

(ASX:FWD)

SANDON CAPITAL

CASE STUDY: SMALL-MID CAP



## RECENT DEVELOPMENTS

FWD has won contracts to supply units for VIC and WA Centres of National Resilience (COVID quarantine facilities). Contracts so far total \$68 million.

The optimisation of the Building Solutions operational structure and footprint has the potential to deliver substantial earnings growth

Woodside's recently sanctioned Scarborough project will have significant indirect positive effects on Searipple

Cost inflation and supply chain issues may have short term effects

Market price is undemanding. FWD has ~\$55m in cash, a significant franking balance and a low EV/EBITDA multiple (~5X) on depressed earnings

## ABOUT

FWD operates across three divisions:

- Building Solutions – Australia's largest constructor of pre-fabricated buildings
- Accommodation Solutions – owner of Searipple village and operator of Osprey village
- Recreational Vehicle (RV) Solutions – caravan parts distributor

## THE INVESTMENT OPPORTUNITY

- Strong end market tailwinds and remains materially undervalued
- Operational improvements have potential to yield significant improvements in financial performance

INITIAL PURCHASE

June 2016



# Volatility and uncertainty in global financial markets have become the new normal

## KEY THEMES DRIVING VOLATILITY

1

COVID-19

2

Global  
monetary  
and fiscal  
policy

3

Geopolitics

---

**Pandemic has continued to drive a deeper divide between market valuations**



Eye-watering prices are being paid for companies seen as offering growth while many lower growth businesses are sold more cheaply.

---

**Our fundamental approach will continue to uncover attractive opportunities**



With shareholder activism  
unlocking value

ersonal use only

# We are optimistic about opportunities

## KEY THEMES AFFECTING AUSTRALIA

4

Resources and the industrial economy

6

Small & midcap companies to offer growth

5

M&A boom – corporates & investors

### We look beyond the noise

Short-term volatility provides opportunities.

Fundamentals will prevail over medium to long term.



### Market prices have scope to grow

Potential for top line growth in portfolio companies and multiple expansion as M&A prompts re-rating



ersonal use only

SANDON CAPITAL

ersonal use only  
**Thank you**

Gabriel Radzyninski  
CIO & Portfolio Manager

**T** 02 8014 1188

**M** 0408 936 357

**E** [gabriel@sandoncapital.com.au](mailto:gabriel@sandoncapital.com.au)