

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 January 2022

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 January were:

NTA before tax	\$1.0736	-2.8%
Deferred tax asset	\$0.0003	
Deferred tax liability on unrealised income and gains	(\$0.0540)	
NTA after tax	\$1.0200	-2.3%

Investment Performance

Gross Performance to 31 Jan 2022 ¹	1 Month	1 year	Since inception (p.a.)
SNC	-3.2%	28.9%	11.7%
All Ordinaries Accumulation Index	-6.6%	9.7%	8.7%
Outperformance²	3.4%	19.2%	3.0%

1. The SNC gross returns are after investment management fees and brokerage expenses but before performance fees and corporate expenses. 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. Figures may not tally due to rounding.

Dividends

SNC has paid 45.25 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 29.5 cents per share and there are 7.2 cents per share of franking credits.

SNC's FY21 final dividend of 2.75cps was paid on 5 November 2021 and the special dividend of 1.00cps was paid on 20 December 2021. The Board anticipates paying an interim dividend for FY22 of 2.75cps, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

Ex-date	Dividend Amount	Franking	Corporate Tax Rate	Type
30 November 2021	1.00 cps	100%	25.0%	Special
19 October 2021	2.75 cps	100%	25.0%	Final
17 May 2021	2.50 cps	100%	26.0%	Interim
21 October 2020	2.50 cps	100%	26.0%	Final
5 May 2020	3.50 cps	100%	27.5%	Interim
21 October 2019	3.50 cps	100%	27.5%	Final
16 May 2019	3.50 cps	100%	27.5%	Interim
23 October 2018	3.50 cps	100%	27.5%	Final
8 May 2018	3.50 cps	100%	27.5%	Interim
23 October 2017	3.50 cps	100%	27.5%	Final
18 May 2017	3.50 cps	100%	30.0%	Interim
21 October 2016	3.00 cps	100%	30.0%	Final

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets*	\$174.4m
Market capitalisation	\$126.4m
NTA before tax	\$1.0736
Share price	\$0.9400
Shares on issue	134,512,848
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	5.9%
Profits reserve (per share)	29.5cps
Franking (per share)	7.2cps
Loan-to-assets (incl. MVTHA)	16%

*includes the face value of Mercantile 4.8% unsecured notes.

Company overview

Sandon Capital Investments Limited is a specialist 'Activist' listed investment company, managed by Sandon Capital. Sandon Capital devises and implements activist shareholder strategies that seek to unlock value inherent in securities held in our investment portfolios.

SNC provides investors with exposure to a portfolio of Australian companies that are typically not available to traditional investors. Through active engagement with the target company, Sandon Capital seeks to release the embedded value for shareholders. Target companies are likely to be in the small to mid cap market segment.

Sandon Capital has successfully employed its Activist investment strategy since September 2009. The wholesale Sandon Capital Activist Fund's investment performance since inception is 12.7% p.a. (after all fees and expenses).

Investment Objectives

- To provide absolute positive investment performance over the medium to long term, ensuring capital preservation, while providing capital growth.
- To provide an investment strategy that few investors have the capacity to implement themselves.
- To provide shareholders with a growing stream of fully franked dividends.

Portfolio commentary

The Portfolio was down 3.2% for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to a decrease of 6.6% for the All Ordinaries Accumulation Index.

The largest detractors for the month were City Chic Collective Ltd (**CCX**) (-1.2%), Fleetwood Ltd (**FWD**) (-0.9%), BCI Minerals Ltd (**BCI**) (-0.9%), COG Financial Services Ltd (**COG**) (-0.6%) and Nuix Ltd (**NXL**) (-0.6%). The major positive contributor was Wellard (**WLD**) (+0.3%), which was successful in international arbitration proceedings and received a payment of US\$12m.

Whilst the share prices of many of our largest positions suffered during the month, many of these same companies provided strong operating updates. CYG announced that sales for 1HFY22 were up 13.6% on the prior corresponding period (pcp). Konnect and Artia Australia (KAA), the business that has caused CYG so many problems over the past decade, saw its sales grow by 19.6%. COG announced unaudited 1HFY22 NPATA (less Government subsidies) of \$10.5m, a 25% increase on the pcp. Importantly, the key Finance Broking & Aggregation business continued the strong growth seen over the past 12-18 months. CCX announced unaudited 1HFY22 comparable sales growth of 44%. Whilst underlying EBITDA was flat with the pcp, this was acceptable given the COVID driven lockdowns and supply chain issues in the period and we expect margins to return to more normal levels going forward.

A2B Australia Ltd (**A2B**) was one of our “pandemic specials”, with shares first purchased in July 2020. Our campaign began in earnest in the lead-up to last year’s AGM. We wrote a [letter](#) to the chairman, outlining our concerns with the operational performance of the company and its strategic direction. To shore up investor support, the company announced a memorandum of understanding (MoU) for a property swap. While the resolutions passed, the votes against were significant. The property swap did not become the silver bullet the company had hoped for; it became a millstone around its neck. Many investors expressed dismay. In mid-January, we [wrote](#) to the Board outlining our concerns with the property swap and called on the company to immediately abandon the transaction. Press coverage ensued. In early February, A2B’s Chairman, Paul Oneile, announced he was retiring with immediate effect. The following day, the company announced that Managing Director, Andrew Skelton, would be stepping down from his role and that independent external advisors had been appointed to commence a strategic review of the company. We view these announcements as positive for the preservation of long-term value at A2B.

We believe the current share price of A2B, is underpinned by the company’s significant property holdings. The core taxi despatch and taxi payments businesses are solid, however we don’t believe their financial performance will return to the halcyon days. If a successful turnaround is implemented and the company can return to generating solid profits and cash flows, we believe a share price >\$2.50 is easily achievable. If the turnaround is not successful, we believe the safety net of the property assets more than covers our purchase price. Our preference is for investment opportunities where we believe the downside is limited, and where the potential exits to make multiples on our money on the upside. We believe A2B well and truly fits this criteria. We look forward to providing further updates in the future.

The month of February is when reporting season heats up, with most of our companies expected to report later in the month. Those that have pre-announced their results have reported strong growth and encouraging outlooks. We look forward to reading results in detail as they are released and will be keenly scrutinising any outlook statements.

Investment Portfolio

	January 2022
Listed Australian Equities	85%
Listed International Equities	9%
Unlisted investments	5%
Cash or Cash Equivalents	1%

Contact

If you have any questions regarding the Company or its investments, please call Gabriel Radzynski on 02 8014 1188. If you have questions regarding your shareholding, please contact Link, whose details appear below.

Further information:

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