

SANDON CAPITAL

# SNC Shareholder Presentation

13 April 2023



ersonal use only

## Important Information

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.

© Sandon Capital Investments Limited 2023

### Lonsec Research Disclosures

The rating issued October 2022 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

# Opportunity – sustainable yield at a discount to NTA

## ATTRACTIVE DIVIDEND YIELD

8.6%<sup>1</sup>

## DISCOUNT TO NTA

15.8%<sup>2</sup>

## SOLID PROFITS RESERVES & FRANKING<sup>3</sup>

27 cps  
8.5cps

1. Based on SNC closing share price on 12 April 2023 (\$0.64).

2. Based on pre-tax NTA as at 31 March 2023

3. As at 31 March 2023

## Highlights

- SNC shares trade at an attractive yield of 8.6% (11.5% grossed up for franking)<sup>1</sup>
- The SNC portfolio can be bought at a 15.8% discount to NTA<sup>2</sup>
- Many of SNC's investments trade at meaningful discounts to our estimate of their intrinsic value
- Investors buying SNC today are buying a “discount at a discount”
- Current profits reserves and franking balance allow SNC to sustain the current dividend for more than 4 years, all else held equal<sup>3</sup>

## 2.75cps fully franked interim dividend

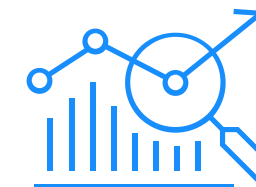
- Ex Date 16 May 2023
- DRP Election Date 18 May 2023
- Payment Date 2 June 2023

## Portfolio companies

- The bulk of the portfolio remains exposed to resilient, performing sectors of the economy
- The majority of our investments have very strong balance sheets, leaving them well placed to deal with any economic headwinds and rising interest rates, as well as undertaking capital management initiatives

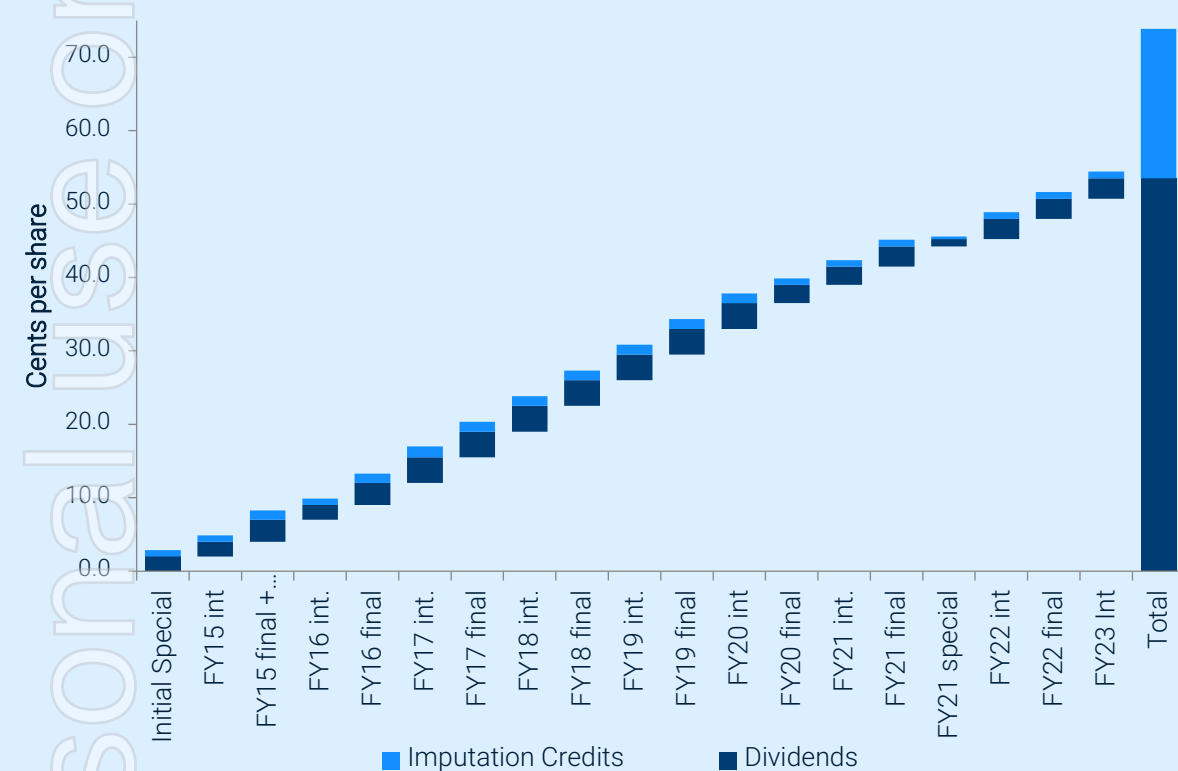
## Turnaround opportunities

- Board and management changes over the last two years at some companies are expected to lead to better financial and operational performance

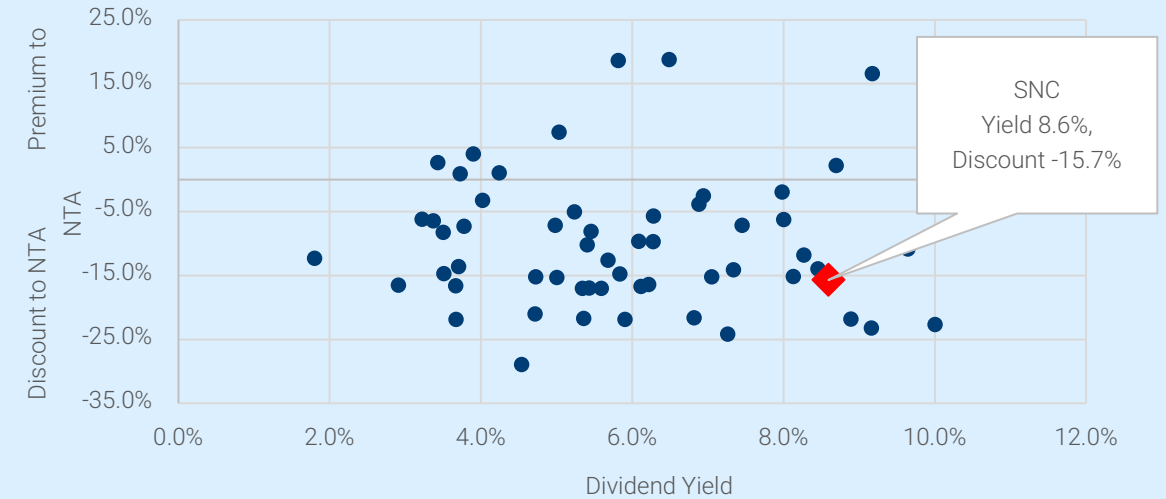


# Investment Highlights

- More than 53cps of dividends and more than 20cps of imputation credits since inception



- Attractive yield and discount



Gross Performance to 31 Mar 2022	1 yr return	3 yr return	Since inception (annualised)
SNC	-20.9%	13.9%	7.1%
Small Ordinaries Accumulation Index	-13.2%	13.1%	6.4%
<b>outperformance</b>	<b>-7.7%</b>	<b>0.8%</b>	<b>0.7%</b>
All Ordinaries Accumulation Index	-1.1%	17.3%	8.4%
<b>outperformance</b>	<b>-19.8%</b>	<b>-3.3%</b>	<b>-1.3%</b>

Source: Sandon Capital Investments Ltd

Source: Bloomberg, Sandon Capital analysis.

Note: SNC Gross performance is after management fees but before performance fees, corporate expenses and taxes.

# Portfolio Scorecard

- The share prices of many investments have fared poorly in the last 18 months
- This is despite a number of companies delivering solid operational and financial results
- We make investment decisions having regard to long term prospects. These decisions often take time to play out
- Some of our decisions have paid off. For example, A2B, TAH/TLC, ILU/DRR
- Some of our decisions are yet to pay off, but having seen board, management and strategy changes, we are confident of their prospects
- Some of our decisions have not paid off. For example, City Chic Collective Ltd (CCX) and BCI Minerals Ltd (BCI) were not sold when the opportunity presented

	Poor Share Price Outcomes	Good Share Price Outcomes
Good Investment Decisions	IDT FWD CYG GDC MWY	COG A2B SPSY TAH*/TLC* ILU*/DRR
Poor Investment Decisions	CCX BCI	

\* Indicates positions sold or reduced

ersonal use only

# Portfolio Composition

- Selected holdings represent ~51% of the portfolio
- These companies provide exposure to:
  - SME financial services (COG)
  - COVID recovery (A2B)
  - Infrastructure, resources, agriculture (COG, FWD, CYG)
  - Unique technologies (SPSY)
  - Explosion in data consumption (GDC)
  - Strategic and operational turnarounds (A2B, FWD, CYG, MWY)
  - Capital management opportunities (A2B, SPSY, FWD, MWY)
- All operate in growing markets

## Selected holdings

COG Financial Services Ltd (COG)	12.0%
A2B Australia Limited (A2B)	10.8%
Spectra Systems Inc. (SPSY)	10.0%
Fleetwood Corporation Ltd (FWD)	7.6%
Coventry Group Ltd (CYG)	4.8%
Midway Ltd (MWY)	3.2%
Global Data Centres Group (GDC)	2.2%
<b>Total Weighting</b>	<b>50.6%</b>

# COG Financial Services Ltd (COG)

- COG operates across two business segments:
  - Financial Broking and Aggregation (FB&A) and
  - Funds Management (FM)
- FB&A owns finance brokerages as well as an aggregator, which connects brokers with third party financial services providers.
- As FB&A grows so too does its “network effect” – distribution footprint is almost impossible to replicate
- COG estimates it has a ~21% market share of SME brokered financing
- FM is growing a credit funds management platform. This provides access to additional non-bank funding sources to satisfy client requirements. COG earns both management fees on funds under management and brokerage on the products.
- COG is growing organically and by way of acquisitions
  - The most recent acquisition, Paywise, offers salary packaging

## Financial Summary

Share price	\$1.42
Market Capitalisation	\$266.8m
Net debt / (cash) <sup>1</sup>	(\$29.7m)
Dividend Yield	5.8%

	2017	2022	Increase
Revenues <sup>2</sup>	\$81m	\$320m	~4.0x
NPAT <sup>2</sup>	\$3.6m	\$19.7m	~5.5x
Share count <sup>2,3</sup>	130.1	187.9	~1.5x

Sources: COG Financial Reports, ASX Announcements, Bloomberg, Sandon Capital analysis.  
Share price and market capitalisation is as at 12 April 2023.

1. Proportionate share of unrestricted cash less drawn amount of corporate acquisition finance facility..

2. we've used full year figures to 30 June 2022 for purposes of comparison.

3. 2017 EPS and share count are adjusted for the 1-for10 shares consolidated that occurred in May 2021

# A2B Australia Ltd (A2B)

- A2B operates taxi networks and provides taxi payment services
- Taxis were one of the most affected sectors during COVID-19
- A new board was constituted in early 2022, including a new executive chairman
- July 2022 “*Better before bigger*” strategy was announced, focusing on:
  - Rebuilding taxi numbers
  - Property sales
  - Eliminating sub-scale fintech initiatives
- *Better before bigger* recognised the importance of taxi owners and drivers as crucial stakeholders of A2B
- Property Sales:
  - December 2022 – Bourke Road sold for \$19m
  - March 2023 – O’Riordan Street sold for \$78m
- A2B announced net proceeds of ~\$73m to be returned as a special dividend by year end

## Financial Summary

Share price	\$1.48
Market capitalisation	\$179.4m
Net debt / (cash)	\$7.1m
Asset sale proceeds	(\$75.7m)
Enterprise value	\$110.8m
FY23 EBITDA Guidance	~\$19m
FY23 EV/EBITDA multiple	~5.8x



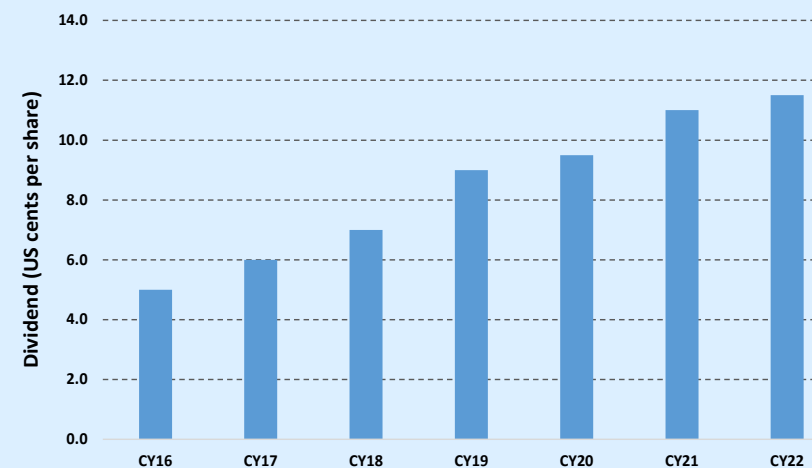
# Spectra Systems, Inc. (SPSY LN)

- SPSY is a US based technology company listed on the London Stock Exchange
- Its core business is the authentication and cleaning of bank notes, with central banks as its major customers
- Its authentication products are also used in products such as coffee pod, perfume and tobacco packaging and it provides software for gaming security
- SPSY offers highly attractive financial characteristics:
  - High revenue growth (18% in CY2022)
    - Embedded growth in existing contracts
  - High margins (>40%)
  - High growth in earning per share (30% p.a. since 2016 )
  - Astute capital management – buy-backs, dividends
  - Strong free cash flows given its minimal capex requirements
- Cash and cash-flow generation capacity allows SPSY to consider acquisitions, which we support

## Financial Summary

Share price (GBP)	185.0
Market Capitalisation (USD)	\$102.4m
Net debt / (cash) (USD)	(\$18.0m)
Dividend Yield	5.1%

SPSY Dividend History



# Fleetwood Ltd (FWD)

- FWD has three business units:
  - Building Solutions – Australia’s largest modular builder
  - Community Solutions – owns and manages accommodation facilities
  - RV Solutions – supplies parts, accessories and services to the recreational vehicle market
- FWD’s history of poor performance and unforced errors precipitated a change of Board and management
  - Legacy contracts and cultural problems have hampered the turnaround activities, particularly in Building Solutions
  - Newly-imposed discipline and personnel changes should deliver improved financial and operational performance
- Community Solutions’ Searipple facility will benefit from significant future projects planned in the oil and gas, fertiliser, and green energy sectors

## Financial Summary

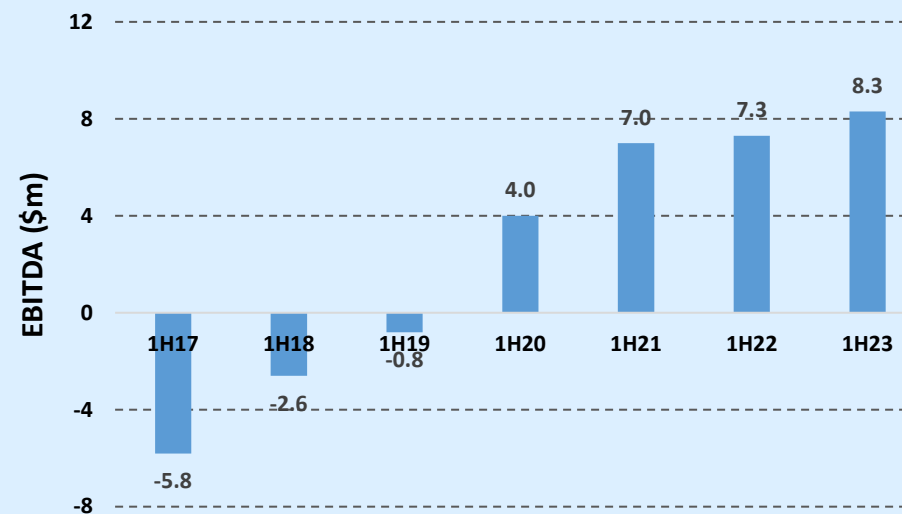
Share price	\$1.225
Market capitalisation	\$115.5m
Net debt / (cash)	(\$39.9m)
Enterprise value	\$75.6m
Perth property value	~\$20m
EV adjusted for property	\$55.6m

# Coventry Group Ltd (CYG)

- CYG operates through two divisions:
  - Trade Distribution (TD)
  - Fluid Systems (FS)
- TD distributes fasteners and other industrial products through Konnect, Artia and Nubco brands
- FS specialises supply and installation of hydraulic, lubrication, fire suppression and other adjacent systems and products
- CYG's divisions are exposed to the mining & resources, infrastructure, building & construction and manufacturing sectors of the industrial economy
- Reduced supply chain issues, improving labour supply and declining raw material prices alleviate the headwinds CYG has faced in the past 2 years
- Whilst free cash flow generation has lagged top line and profit growth, there has been significant improvement in this metric over the past 12 months
- The industrial distribution industry remains fragmented, providing consolidation opportunities

## Financial Summary

Share price	\$1.05
Market capitalisation	\$96.0m
Net debt / (cash) (USD)	\$34.8m
Enterprise value	\$130.8m



# Midway Ltd (MWY)

- MWY is one of Australia's largest processors and exporters of wood fibre. It has facilities in Geelong (Vic), Myamyn (Vic), Brisbane (Qld), Bell Bay (Tas) and Melville Island (NT)
- The company owns 19ha of land at the Geelong Port
- Since Tony McKenna (MD) joined in early 2022, loss-making businesses have been closed and its plantations and other non-core property assets have been sold
- We estimate that legacy currency contracts have cost the company \$30m over the past 18-24 months, thereby delaying the turnaround in financial performance. These contracts rolled off on 31-Dec-22
  - MWY is establishing an asset management business, specialising in the management of forestry assets, including carbon credits
  - Due to working capital requirements, the consideration of a special dividend of 19.5c has been deferred until the FY23 results in August

## Financial Summary

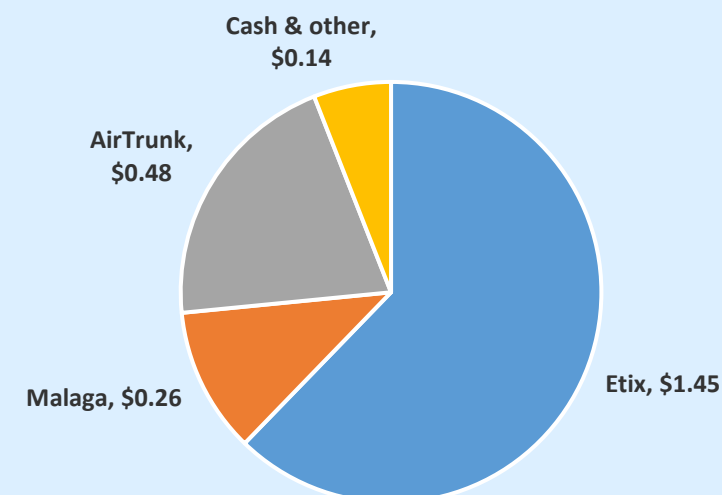
Share price	\$0.90
Market capitalisation	\$78.6m
Net debt / (cash)	(\$12.1m)
Net proceeds due from plantation sale	(\$30.5m)
Enterprise value	\$36.0m

# Global Data Centres Group (GDC)

- GDC provides exposure to data centres through a variety of investments:
  - majority ownership stake in Etix Everywhere (Etix), which owns stakes in 10 “edge” data centres in regional France Belgium, Columbia and Thailand
  - a data centre in Perth, WA
  - ~1% stake in AirTrunk, which develops, owns and operates hyperscale data centres in the Asia Pacific region
- Etix valuation was recently validated when a large European private equity firm (Eurazeo) invested in the business. The investment provides additional capital to allow Etix to continue the roll-out of new data centres
- We believe the data centre in Perth is non-core and will be monetised at some point
- GDC trades at a substantial discount to fair value NAV

## Financial Summary

Share price	\$1.29
Market capitalisation	\$99.3m
Fair value NAV	\$2.32



SANDON CAPITAL

About us

ersonal use only

# We seek change to create or enhance value



Pre-eminent and unique track record of shareholder activism



We have unrivalled experience in >40 public and private campaigns



Our track record and investor base allows us to be careful and patient

Long, established track record of outperformance, with an investor base that supports us to play a long game with investments.

## Extensive contacts



We build coalitions of like-minded investors



Stakeholders include institutional investors, directors, proxy advisers, investment bankers, journalists and ultimate owners



Built and nurtured over many years



When public, our analysis is widely circulated and read

# We invest in undervalued companies

As value investors, we look for undervalued assets, where:

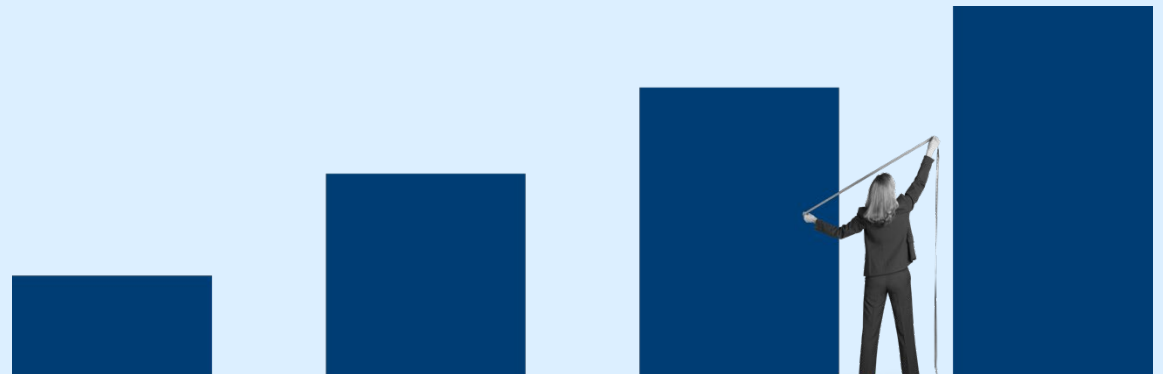


Prices are below their intrinsic value



We can encourage positive changes

Human nature creates attractive investment opportunities that require shareholders to liberate or create value.

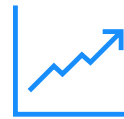




# We actively engage with companies to promote positive changes



**Identify** companies that are mispriced and where there are opportunities to promote positive changes, and shape the future.



**Transform** a company so its value is better appreciated by the market.



**Takes time** for our approach to bear fruit. Capital we manage is similarly aligned. Allows us to be patient and persistent.



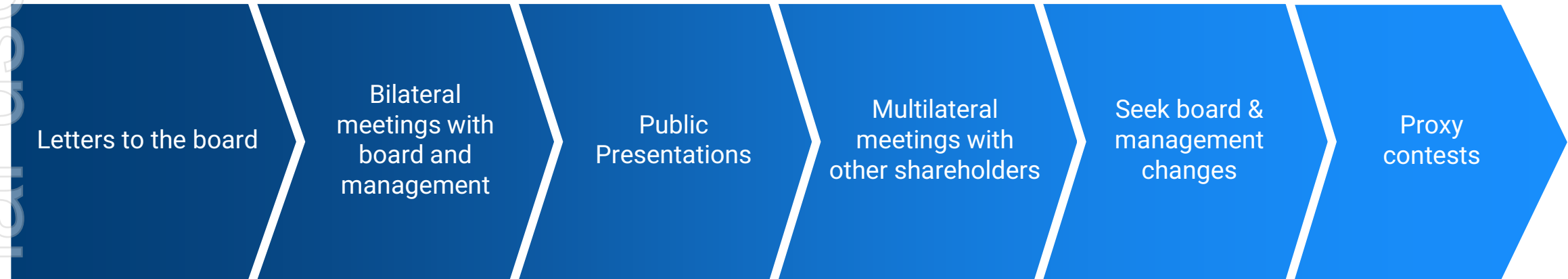
**Use rigorous analysis** to build shareholder consensus.

# We unlock value by taking a proactive approach

We focus on engaging to maximise the certainty of our value creation strategies

We adapt to each unique situation, employing both a range of visible and less visible techniques

Discount ..... (Asset Value) ..... Intrinsic Value



Less Visible ..... (Opportunity) ..... More Visible

# Led by a team with decades of success

## Gabriel Radzynski

Founder, CIO & Portfolio Manager

+20 YRS EXPERIENCE



As the founder of Sandon Capital, Gabriel has been involved in the financial services sector for more than 20 years. Gabriel is Chairman of Sandon Capital Investments Limited (ASX:SNC). He is a non-executive director of Future Generation Investment Company Limited (ASX:FGX). From time to time he takes on Board positions as part of Sandon Capital's engagements. Gabriel has a BA(Hons) and MCom both from the University of New South Wales.

## Campbell Morgan

Portfolio Manager

+15 YRS EXPERIENCE



Campbell joined Sandon Capital in 2014 and has more than 15 years of experience in both Australian and international financial markets. Prior to joining Sandon Capital, Campbell managed a Global Materials portfolio for Millennium, a New York based hedge fund with US\$25bn under management. Preceding this, he was a Senior Analyst for a Global Industrials portfolio at Citadel Investment Group, a US\$30b Chicago based hedge fund. Campbell started his career in Australia, working in the Investment Bank at ANZ and after that as an Equity Research Analyst for Merrill Lynch before moving overseas in 2007 to work in Alternative Funds Management.

## Derek Skeen

Chief Operating Officer

+25 YRS EXPERIENCE



Derek is the Chief Operating Officer of Sandon Capital and has over 25 years experience in the asset management industry. Derek commenced his career at Macquarie Bank in 1995 and over the proceeding 25 years held increasingly senior roles in the Macquarie Asset Management division as the business grew organically and through acquisition. Derek has deep operational, risk management and product experience where he has led significant business strategy and transformation programs. Derek has worked in and across a variety of regions for Macquarie Asset Management including in his role as Chief Operating Officer – APAC and, most recently, as Global Head of Investment Operations. Derek has a Master of Business Administration from the University of New South Wales, Australian Graduate School of Management business school.

# SANDON CAPITAL

## CONTACT

Gabriel Radzyninski

CIO & Portfolio Manager

**T** 02 8014 1188

**M** 0408 936 357

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

