Ryder Capital announces a 6.25% lift in final dividend to 4.25 cents fully franked, an 8.86% decrease in pre-tax NTA and a total comprehensive loss of ($6.9m)

Ryder Capital Limited (Ryder or Company) [ASX:RYD] reported a total comprehensive loss after tax of ($6.9m), a 67.7% improvement on FY22. Pre-tax undiluted NTA adjusted for tax payments and dividends declined (8.86%) to $1.1865 per share. During FY23, the Company bought back ~1.3m shares at an average cost of $1.15 per share, for a total cost of $1.5m.

The Company's profit reserve increased from $1.1m to $2.7m which when added to the Company's capital reserve takes total distributable profits to $30.2m as at 30 June 2023, equivalent to $0.36 per share (compared to $0.35 in FY22) from which $0.25 per share is available as fully franked dividends. Ryder remains in a strong position to continue to pay steady to increasing fully franked dividends over time.

The company tax rate decreased from 30% to 25% reducing tax payable for the year, resulting in the imputation rate for dividends paid in FY24 to change to 25%. The Board resolved to lift the final full year dividend by $0.0025 (a 6.25% increase on FY22) so that Shareholders are no worse off on an after tax basis, declaring a $0.0425 fully franked final dividend. As a result, total FY23 dividends declared increased to $0.0725 per share fully franked (up from $0.07 per share fully franked in FY22).

The major contributor to the years negative performance was the Company's investment in Updater Inc. responsible for (9.70%) of the years overall (8.86%). Due to recent poor performance Ryder has underperformed its benchmark in all but since inception time periods. We encourage Shareholders to review performance at both the Portfolio (gross Portfolio performance) and Company (pre-tax undiluted NTA return) level adjusted for any dividends, buy-backs or other distributions made by the Company.

	6 months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception[3] (% p.a.)
Ryder Capital - Gross Portfolio Performance	-12.62	-7.41	1.84	5.34	11.86
Ryder Capital - Pre-tax Undiluted NTA Return[1]	-13.28	-8.86	-1.45	2.22	8.02
Ryder Capital - Pre-tax NTA Return[2]	-13.45	-8.17	-6.44	-1.98	4.79
S&P / ASX All Ordinaries Accumulation Index	4.65	14.75	11.42	7.35	9.03
S&P / ASX Small Ordinaries Accumulation Index	1.32	8.45	5.16	2.25	7.68
RBA Cash Rate	1.81	3.02	1.11	1.09	1.29
Ryder Capital Hurdle Rate - RBA Cash Rate + 4.25%	3.25	5.52	4.82	5.12	5.37

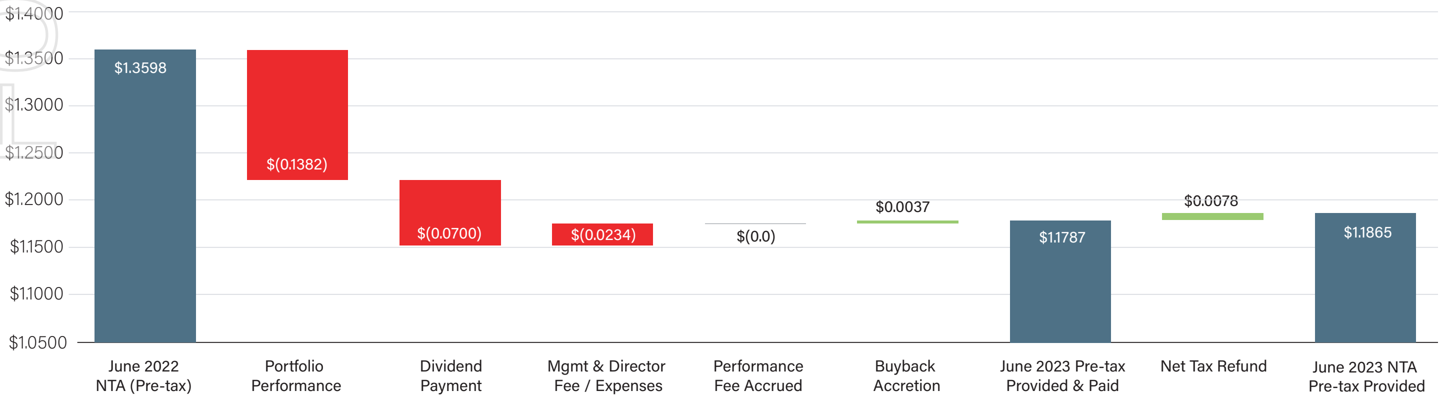
1. Adjusted for the dilution of 26.7m RYDO options and 26.5m RYDOA options. Calculation of pre-tax NTA is prior to the provision and payment of tax.
2. Inception Date is 22 September 2015.

Portfolio Performance

FY23 gross portfolio performance was (7.41%) underperforming both the Portfolio's absolute return performance hurdle (RBA Cash Rate + 4.25%) and the ASX Small Ordinaries - being the most comparable equity index.

The Portfolio held an average cash exposure through the year of approximately 7.92%. The Portfolio hedging strategies designed to provide Portfolio insurance dragged on performance by (0.86%).

A reconciliation of the pre-tax NTA from 30 June 2022 to 30 June 2023 is follows:



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Outlook

We remain cautious and unconvinced that we are set for a 'soft landing,' where monetary tightening sufficiently cools inflation without causing a recession and an associated decline in company earnings. Whilst the labour market remains tight, there are early signs the Australian economy is slowing and we expect to see a change to the current conditions as employers are forced to figure out a way to do the same (or more) with less cost.

We don't know how things will play out in the short term. Since the beginning of calendar 2023 equity markets have taken on an optimistic view that as inflation cools, rates will level out and/or begin to moderate and the hardship of a recession can be averted. This outcome in our view remains very much unclear, despite the market pricing this in as more than less likely.

Many companies within our emerging and small cap universe continue to be impacted by a tight and costly labour market, high input costs, weakening consumer confidence and a higher cost of capital. The impacts of an increased cost of living and mortgage stress is only just beginning and as Covid era savings buffers shrink, so will spending and consumer confidence.

We adjusted Portfolio risk thresholds to new investments over six months ago, while we continue to scrutinise Portfolio positions to ensure they have robust/defensive business plans and resilience to the evolving demand and supply side factors within the economy.

At the time of writing this report equity market volatility is returning, albeit from historically low levels. Should this dynamic continue, we expect market movements will churn out impatient capital to the benefit of patient, diligent capital – a backdrop that favours Ryder.

Despite our cautious outlook we believe the Portfolio is undervalued and we expect it to benefit from the performance of several well positioned high conviction positions. With a permanent capital base, cash on hand and an enhanced investment process we are confident in our ability to generate positive incremental returns in FY24.

Peter Constable
Chairman & Chief Investment Officer

David Bottomley
Director & Portfolio Manager

For more information visit **www.rydercapital.com.au** or contact: **enquiries@rydercapital.com.au**

About Ryder Capital Limited

Ryder Capital Limited (Company) was listed in September 2015 and is managed by Ryder Investment Management Pty Limited (Investment Manager) a Sydney based boutique fund manager pursuing a high conviction value driven investment strategy specialising in small to mid-cap Australasian equities. The Investment Manager's approach is differentiated by investing for the medium to longer term; being aligned as significant shareholders in the Company and being focused on generating strong absolute returns first and foremost. A key foundation of the Investment Manager's success to date has been to minimise mistakes, ignore the crowd and back their judgement.

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