SANDON CAPITAL

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MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

NOVEMBER 2023

NTA Before Tax	NTA After Tax
$0.7769	$0.7806

INVESTMENT PERFORMANCE

Gross Performance to 30 Nov 2023[1]	1 month	1 year	Since inception (p.a.)
SNC	7.4%	12.2%	7.9%
All Ordinaries Accum. Index	5.2%	1.7%	8.0%
Outperformance[2]	**2.2%**	**10.6%**	**-0.1%**

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 SIN's gross investment performance.
2. Figures may not tally due to rounding,

SANDON CAPITAL INVESTMENTS LIMITED

ASX Code	SNC
Gross assets*	$141.2m
Market capitalisation	$90.2m
Share price	$0.640
Fully franked dividends	$0.055
Dividend yield (annualised)	8.6%
Profits reserve (per share)	25.9cps
Franking (per share)	7.1cps
Loan-to-assets (incl. SNCHA)	16%

*Includes the face value of 4.8% unsecured notes (ASX: SNCHA)

PORTFOLIO COMMENTARY

The Portfolio was up 7.4% for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to an increase of 5.2% for the All Ordinaries Accumulation Index.

Performance for the month was largely driven by stock specific positive announcements. The largest contributors were A2B Australia Ltd (A2B) (+1.4%), IDT Australia Ltd (IDT) (+1.2%), COG Financial Services Ltd (COG) (+1.1%), Nuix Ltd (NXL) (+0.6%) and Midway Ltd (MWY) (+0.5%). The largest detractors were Fleetwood Ltd (FWD) (-0.4%) and Karoon Energy Ltd (KAR) (-0.4%).

A2B announced that it had exchanged contracts for the sale of its Downing Street, Oakleigh property for $8 million, with settlement occurring on 7th December. This brings to a close the company's property disposal process, raising a total of $105 million before expenses and tax. We consider this an outstanding result given the softening exhibited in the commercial property market over the past 12-18 months. Importantly, the bulk of the sale proceeds from the property disposals are to be returned to shareholders, with a special fully franked dividend of 55 cps expected to be announced in the next 4-6 weeks.

At its AGM, A2B reiterated that it is on track to deliver 20% growth in operating EBITDA in FY24. This will be partly offset by additional rental expenses as a result of the announced property sales, however underlying EBITDA is still expected to grow at least 10%. Growth in the underlying taxi fleet continues to track ahead of plan and we expect the company to easily achieve its target of additional 400 cars for the year. The underlying fleet growth will help to offset a moderation in demand for taxis arising from the softening economic environment and resultant reduction in discretionary spending.

IDT announced early in the month that unaudited 1QFY24 revenue increased ~300% versus the prior corresponding period (pcp), albeit off a low base. Pleasingly, each of the company's three business pillars (API manufacturing, Advanced Therapies, Specialty Orals) is participating in the strong growth. This is the highest level of quarterly revenue in almost two years and demonstrates that the turnaround under the new Board and management team is gaining traction. At its AGM towards the end of the month, the company highlighted that it had won a further three contracts worth $6.9 million in October and November. This is likely to lead to further strong revenue growth in the quarters ahead. The pipeline of sales opportunities continues to expand, both domestically and overseas, and the value of proposals submitted continues to grow. Whilst this doesn't guarantee the outcome of a contract win, it does highlight that many more potential customers are becoming aware of IDT's capabilities in addressing global drug shortages, supporting sovereign manufacturing capabilities, and developing and manufacturing new treatments for cancers and mental health.

MWY finally delivered its long-awaited grain strategy, announcing that it had entered into a binding Memorandum of Understanding to sell approximately one quarter of its Geelong port site to CHS Broadbent, who will build and operate an 80,000 tonne grain storage and export terminal. The sale price for the five hectares of land is $15.5m, which compares favourably to the current book value of $16.5 million for the entire nineteen hectare site. MWY will be required to contribute $4.5 million for site alterations to accommodate the new CHS Broadbent grain export terminal. In addition to monetising excess land at well above book value, the agreement with CHS Broadbent also helps mitigate the significant cost of the take-or pay agreement for the shiploader owned by Geelong Port.

Soon after the grain strategy news, MWY announced that it had refinanced its banking facilities to be more focused on working capital rather than core debt, which better suits the needs of the business today post the sale of the plantation assets. This allowed the company to declare a 5 cent per share special dividend. Over the next 12 months, we estimate significant inflows of cash - $20 million net proceeds from the final tranche of the plantation sale and $15.5 million for the sale of land at Geelong port – will be received by MWY. We expect a significant portion of this cash will be returned to shareholders in the form of fully franked dividends.

DIVIDENDS

SNC has paid 56.25 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 25.9 cents per share and there are 7.1 cents per share of franking credits. These franking credits support the payment of 21.3 cps of fully franked dividends.

SNC's FY23 final dividend of 2.75cps was paid on 8 November 2023. The Board anticipates paying an interim dividend for FY24 of 2.75cps, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

A full list of SNC dividends since the IPO in December 2013 can be found here.

TOP 5 POSITIONS

COG Financial Services	12%
A2B	12%
Fleetwood	10%
Spectra Systems	10%
Coventry	6%

INSTRUMENT EXPOSURE

Listed Australian Equities	78%
Listed International Equities	13%
Unlisted Investments	9%
Cash or Cash Equivalents	0%

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 9.6% 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.

SANDON CAPITAL

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