SANDON CAPITAL

MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

JANUARY 2024

NTA Before Tax	NTA After Tax
$0.8364	$0.8325

INVESTMENT PERFORMANCE

Gross Performance to 31 Jan 2024[1]	1 month	1 year	Since inception (p.a.)
SNC	-2.1%	18.1%	8.5%
All Ords Accumulation Index	1.1%	7.3%	8.7%
Outperformance[2]	**-3.2%**	**10.9%**	**-0.2%**

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*	$147.1m
Market capitalisation	$105.0m
Share price	$0.745
Fully franked dividends	$0.055
Dividend yield (annualised)	7.4%
Profits reserve (per share)	31.5cps
Franking (per share)	8.5cps
Loan-to-assets (incl. SNCHA)	14%

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

PORTFOLIO COMMENTARY

The Portfolio was down 2.1% 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 1.1% for the All Ordinaries Accumulation Index.

The performance of the portfolio for the month was disappointing, albeit there was little fundamental news flow to explain this. The major positive contributor was Coventry Group Ltd (CYG) (+0.7%). The detractors included A2B Australia Ltd (A2B) (-0.6%), Nuix Ltd (NXL (-0.6%), Fleetwood Ltd (FWD) (-0.4%) and COG Financial Services Ltd (COG) (-0.3%).

CYG confirmed the strong trading update that was provided in mid-December with the company reporting preliminary 1HFY24 revenue of $185.3 million (+5.4% vs 1HFY23) and EBITDA of $9.8 million (+18.1% vs 1HFY23). We discussed this in detail in the December newsletter and have nothing further to add on the trading update specifically. A very positive broker initiation on the stock also helped raise awareness of the attractive company specific fundamental drivers that are expected to deliver robust earnings and cash flow growth over the medium term.

A2B ended the month trading at a small discount (~1.4%) to the scheme of arrangement offer from ComfortDelGro ($1.45 per share). The closing price in December ($2.13 per share) exceeded the cash value of the ComfortDelGro offer ($1.45 per share) and the special fully franked dividend ($0.60 per share). The implication was that buyers were prepared to pay a premium (8 cents per share) to receive a 25 cent per share imputation credit. Since the announcement of the scheme proposal, we have sold about one third of the portfolio's A2B position for an average price of ~$2.15 per share, above the cash price implied by the scheme. These sales and the special dividend have increased the Fund's cash levels with some of the cash invested in new opportunities.

NXL provided a 1H24 result update guiding to annualised contract value (ACV) of $196 – 199 million (+15-17% vs 1HFY23), statutory revenue of $96-99 million (+10-13% vs 1HFY23) and underlying EBITDA of $27-29 million (+8-16% vs 1HFY23). Based on the strong preliminary 1H24 results, it appears that NXL will comfortably achieve its FY24 guidance of ~10% ACV and Statutory Revenue growth in constant currency as well as revenue growth exceeding operating cost growth (i.e. an increase in EBITDA). Importantly, the underlying operations were free cash flow positive for the half and are expected to be for the full year. After a turbulent period following the IPO in December 2020, NXL's operating performance has stabilised and the outlook appears sound.

February is an important month in the calendar with most of the portfolio reporting December half results. Although these are only six month results, and thus reflect short term performance, each company's financial statements and commentary does provide important markers as to how our investment is performing against its stated plans and our own thesis for the business. We look forward to providing an update from the reporting season in our next monthly report.

DIVIDENDS

SNC has paid 56.25 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 31.5 cents per share and there are 8.5 cents per share of franking credits. These franking credits support the payment of up to 25.5 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

Spectra Systems	12%
COG Financial Services	11%
Fleetwood	10%
Coventry	7%
A2B	7%

INSTRUMENT EXPOSURE

Listed Australian Equities	76%
Listed International Equities	14%
Unlisted Investments	8%
Cash or Cash Equivalents	2%

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 10.0% 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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