

MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

MAY 2024

NTA Before Tax
(ex-dividend)

\$0.8211

NTA After Tax
(ex-dividend)

\$0.8148

INVESTMENT PERFORMANCE

Gross Performance to 31 May 2024 ¹	1 month	1 year	Since inception (p.a.)
SNC	2.6%	20.8%	8.3%
All Ords Accumulation Index	0.9%	13.9%	8.7%
Outperformance²	1.7%	6.9%	-0.4%

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*	\$145.5m
Market capitalisation	\$99.8m
Share price	\$0.700
Fully franked dividends	\$0.055
Dividend yield (annualised)	7.9%
Profits reserve (per share)	29.3cps
Franking (per share)	7.9cps
Loan-to-assets (incl. SNCHA)	13%

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

PORTFOLIO COMMENTARY

The Portfolio was up 2.6% 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 0.9% for the All Ordinaries Accumulation Index.

The largest positive contributors were Spectra Systems plc (SPSY LN) (+2.5%), Nuix Ltd (NXL) (+1.9%) and Global Data Centre Group (GDC) (+1.6%). These were partially offset by Fleetwood Ltd (FWD) (-1.3%), COG Financial Services Ltd (COG) (-0.5%), Wellard Ltd (WLD) (-0.5%), Coventry Group Ltd (CYG) (-0.5%) and Joyce Corporation Ltd (JYC) (-0.5%).

GDC announced that it had entered into a contract for the sale of its co-controlled investment in Etix Everywhere, the European edge data centre platform, for net proceeds of \$175 million. This is significantly above the 31 December 2023 carrying value (\$115 million) and our own optimistic expectations. The transaction is expected to close in the September quarter, at which point GDC will update the market on how it will return the proceeds to unitholders. During the month, press reports indicated that the sale process for AirTrunk (GDC owns ~1%) was progressing with first round bids due in mid-June.

NXL provided a solid earnings update with FY24 underlying EBITDA expected to be in the range of \$63-\$68 million. The better-than-expected result is a function of a solid trading environment, as well as a significant multi-year contract win. After an inauspicious first few years on the ASX, NXL has now put many of its legacy issues behind it and is starting to deliver the solid operational performance that was expected when it first listed.

MWY appeared to have a delayed reaction to the unexpectedly strong trading update that was provided in late April. The company expects to deliver FY24 EBITDA of \$10–15 million, the bulk of which will be generated in the 2H given 1H EBITDA was only \$2.6 million. Encouragingly, demand for woodchips has been strong which means much of the company's large 1H FY24 inventory balance will have been converted to cash. As a result, we believe the company will have the capacity to announce another meaningful fully franked dividend to shareholders when the FY24 results are released in late August.

FWD announced a soft trading update as Building Solutions has seen short-term delays in awarding Government-announced projects. RV Solutions is affected by lower consumer discretionary spend and original equipment manufacturer (OEM) orders, as well as an inability to pass on the full effects of inflation. On a positive note, FWD announced a long-awaited buyback, an initiative we have been advocating for some time. Given the company's current share price, strong balance sheet and earnings certainty over the next few years, underpinned by contracts in Community Solutions (Searipple), we believe buying back shares at current levels is extremely value accretive for shareholders.

Karoon Energy (KAR) held its Annual General Meeting during May. We and another fund conducted a public campaign to encourage shareholders to vote against the KAR Board for what we consider its poor allocation of shareholder capital. Despite only running a short campaign and KAR receiving support from the proxy advisors, shareholders sent a very clear message with a first strike against the remuneration report and a large protest vote against some of the other resolutions. We eagerly await KAR's announcement in July 2024 when it has promised to release its "framework for shareholder returns" which we expect will include dividends and other initiatives including buybacks.

As part of the takeover process, CCIL was required to commission an independent expert's report to opine on the SNC's offer. The independent expert concluded SNC's offer was "*not fair, but reasonable*." SNC's offer is for 6.67 cents per share. The independent expert valued CCIL shares at between 7.82 and 8.61 cents per share. As of 31 May 2024, SNC has valued the CCIL shares that it already owns at 8.22 cents per share.

Carbon Conscious Takeover Update

The takeover offer for Carbon Conscious Investments Ltd (CCIL) continues. During the month, SNC announced that two of the offer conditions had been fulfilled. The first was the minimum acceptance condition (50.1% of CCIL shares) and the second was Origin Energy consenting to the change of control. We have today announced an extension of the offer close to 8 July 2024.

DIVIDENDS

SNC has declared and paid 59.0 cents per share (cps) of fully franked dividends since listing in December 2013. The profits reserve is 29.3cps and there are 7.9cps of franking credits. These franking credits support the payment of up to 26.4cps of fully franked dividends.

SNC’s FY24 interim dividend of 2.75cps was paid on 3 June 2024. The Board anticipates paying a final 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	14%
COG Financial Services	9%
Fleetwood	8%
Coventry	8%
BCI Minerals	5%

INSTRUMENT EXPOSURE

Listed Australian Equities	64%
Listed International Equities	16%
Unlisted Investments	14%
Cash or Cash Equivalents	6%

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SANDON CAPITAL

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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.

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