

MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

DECEMBER 2024

NTA Before Tax

NTA After Tax

\$0.9186

\$0.8948

INVESTMENT PERFORMANCE

Gross Performance to 31 December 2024 ¹	1 month	1 year	Since inception (p.a.)
SNC	0.0%	15.2%	9.3%
All Ords Accumulation Index	-3.1%	11.4%	8.9%
Outperformance²	3.1%	3.8%	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*	\$160.1m
Market capitalisation	\$116.8m
Share price	\$0.810
Fully franked dividends	\$0.056
Dividend yield (annualised)	6.9%
Profits reserve (per share)	38.1cps
Franking (per share)	7.6cps
Loan-to-assets (incl. SNCHA)	16%

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

PORTFOLIO COMMENTARY

The Portfolio was flat for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to a decrease of 3.1% for the All Ordinaries Accumulation Index.

The largest positive contributors were COG Financial Services Ltd (COG) (+0.6%), Joyce Corporation Ltd (JYC) (+0.6%) and an undisclosed position (+0.4%). These were offset by Coventry Group Ltd (CYG) (-0.8%), Spectra Systems PLC (SPSY) (-0.5%), BCI Minerals Ltd (BCI) (-0.5%) and Nuix Ltd (NXL) (-0.5%). Despite a very weak market in December, the majority of the remainder of the portfolio saw positive attribution.

CYG advised that its Enterprise Resource Planning (ERP) upgrade had been successfully completed with all business units now operating on the system. Pleasingly, the ERP upgrade has been completed broadly to plan, schedule and budget. We note this is a rare occurrence with such projects and compliment CYG board and management on this achievement. This project was a significant exercise for a company of CYG's size, taking well over two years to implement and costing almost \$20 million. We expect many benefits to flow from the upgrade, from improved customer service, to better management of working capital, to enhanced cash flow generation. With this project now in the rear-view mirror, we expect CYG to generate significant cash flows into the future. We expect these cash flows to facilitate strong organic growth, to be used to pay down debt, and to reward shareholders through increased dividends and/or buybacks.

Global Data Centre Group (GDC) announced that the sale of AirTrunk had been completed. This is the final asset disposal of GDC, with forecast proceeds of \$124 million.

We expect a final return of capital from GDC in the latter part of the March quarter, following a detailed assessment of any retention requirements and wind-up costs by the responsible entity and investment manager.

Midway Ltd (MWY) provided a mixed trading update, with one customer, Shandong Chenming Paper Holdings Limited (Chenming), defaulting on two shipments, which were subsequently sold to other customers. Chenming is also likely to default on the remaining two shipments under contract and we would expect these shipments to also be placed with other customers, albeit with some negative margin impact. The net impact is that MWY expects to report FY25 EBITDA at the bottom end of its targeted range of \$10-15m. Offsetting this was an after-tax insurance payment of \$5.2 million via Tiwi Plantation Corporation as a result of fires that occurred in the plantation in 2023. Soon after the trading update, the Federal Court of Australia approved the convening of the scheme meeting to vote on the scheme of arrangement proposed by an entity controlled by River Capital, as well as the distribution of the scheme booklet. We are currently closely reviewing this 441-page document.

Karoon Energy Ltd (KAR) provided another disappointing production update with Bauna production negatively impacted by broken mooring chains and Who Dat production impacted by Hurricane Rafael. Total production for CY24 is now expected to be 10.1-10.3Mboe, well below the original guidance provided of 12.0-14.5Mboe. Due to the high fixed cost nature of KAR's operations, unit costs have also increased significantly, from original guidance of US\$9.00-14.00/boe to US\$13.00-15.00/boe. This is a disappointing outcome given the high cost of acquisition for the Who Dat assets in late 2023. Unforced capital allocation errors have combined with operational challenges to damage investor perceptions and confidence in KAR over the last 12 months. We believe that recent capital management initiatives, combined with a focus on consistent production and a moratorium on acquisitions could, if adopted by KAR, help restore investor faith and drive a re-rating of KAR shares. We believe investors' patience with KAR is wearing thin.

Corporate update

During the month, the SNC Board announced its intention to increase the annualised rate of dividends to 5.6 cents per share per annum (1.4 cents per quarter) and to pay dividends on a quarterly basis, starting in March 2025. The Board considers this more frequent payment

of dividend income will prove attractive to existing SNC shareholders as well as potentially attracting new investors. Please refer to the [ASX announcement dated 12 December 2024](#) for further details, including an indicative quarterly dividend timetable.

As of 31 December 2024, SNC has profit reserves of 38.1 cents per share and franking credits equivalent to 7.6 cents per share. This equates to more than 4 years of dividend payment capacity at the new annualised dividend rate. There is, of course, no guarantee of dividend payments and the Board will consider the prudence of paying dividends before each quarter.

DIVIDENDS

SNC has declared and paid 61.75 cents per share (cps) of fully franked dividends since listing in December 2013. The profits reserve is 38.1cps and there are 7.6cps of franking credits. These franking credits support the payment of up to 22.8cps of fully franked dividends.

SNC’s FY24 final dividend of 2.75cps was paid on 7 November 2024. The Board recently resolved to increase the annualised rate of dividends to 5.6cps and to pay quarterly dividends, commencing in March 2025.

A full list of SNC dividends since the IPO in December 2013 can be found [here](#).

TOP 5 POSITIONS

Spectra Systems	12%
Fleetwood	10%
Carbon Conscious	8%
COG Financial Services	7%
Coventry Group	6%

INSTRUMENT EXPOSURE

Listed Australian Equities	70%
Listed International Equities	12%
Unlisted Investments	18%
Cash or Cash Equivalents	0%

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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 10.2% 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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