

MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

JANUARY 2025

NTA Before Tax

NTA After Tax

\$0.9160

\$0.8924

INVESTMENT PERFORMANCE

Gross Performance to 31 January 2025 ¹	1 month	1 year	Since inception (p.a.)
SNC	-0.1%	17.6%	9.2%
All Ords Accumulation Index	4.4%	15.1%	9.3%
Outperformance²	-4.5%	2.5%	-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*	\$160.8m
Market capitalisation	\$117.5m
Share price	\$0.815
Fully franked dividends	\$0.056
Dividend yield (annualised)	6.9%
Profits reserve (per share)	39.0cps
Franking (per share)	7.6cps
Loan-to-assets (incl. SNCHA)	20%

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

PORTFOLIO COMMENTARY

The Portfolio was down 0.1% 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 4.4% for the All Ordinaries Accumulation Index.

The largest positive contributors were Wellard Ltd (WLD) (+2.9%), Karoon Energy Ltd (KAR) (+0.7%), Alterra Ltd (+0.5%) and IDT Australia Ltd (IDT) (+0.4%). These were offset by Nuix Ltd (NXL) (-2.2%) and Coventry Group Ltd (CYG) (-1.3%).

WLD announced that it had signed a binding contract to sell its remaining livestock vessel, the M/V Ocean Drover, for US\$50.0 million in cash, almost three times its reported carrying value at 30 June 2024. WLD currently has confirmed charters for the vessel until June 2025 and expects completion of the sale to occur in July 2025. If the sale is approved by shareholders, the WLD Board intends to return all of the net sale proceeds of the M/V Ocean Drover to shareholders (~15 cents per share) plus an additional capital return of any surplus cash on hand as at the date of completion. WLD Executive Chairman, John Klepec, and his team have achieved an outstanding outcome for shareholders.

In addition to the two US\$25.0 million buybacks that have previously announced, KAR intends to undertake an additional US\$75.0 million buyback over the course of 2025. The existing dividend payout ratio of 20-40% of underlying Net Profit After Tax has also been maintained. We are encouraged that the company's focus is now on returning excess capital to shareholders in an efficient manner. KAR also announced it is in constructive negotiations with Alterra & Ocyan regarding the potential acquisition of the Baúna FPSO (offshore floating production, storage and offloading vessel).

Subject to price, this might prove a sensible use of capital as it could assist in addressing operational issues, would save ~US\$60 million in annual lease costs, enable commercial development of ~10mmbbls of resources and defer abandonment spending.

IDT announced another positive update with 1QFY25 revenue nearly doubling to \$5.3 million. 1HFY25 revenue is expected to be \$10.5 million, an 82% increase on the prior period. The company won \$12.9 million of contracts in 2QFY25, mainly from returning customers and US based customers. This bodes well for continued revenue growth going forward along with improved profitability as customers transition from development work to higher margin manufacturing contracts. Importantly, the strongest growth is coming from the Advanced Therapies vertical, which typically attracts higher margins due to the need for more complex manufacturing processes.

CYG provided a soft trading update with 1HFY25 revenue of \$185.3 million down 0.4% on the prior year and unaudited EBITDA of \$9.9 million up 0.2%. Demand remains positive in the mining and resources sectors in Western Australia and Queensland, however there is some short-term softening in the other Australian states and economic conditions remain challenging in New Zealand. The implementation of the Enterprise Resource Planning (ERP) system upgrade also provided a headwind during the period. Now “live”, the ERP system should provide a tailwind in future periods, all other things being equal.

NXL also provided a soft trading update with 1HFY25 Annualised Contract Value (ACV) growth of 8-9% below market expectations. FY25 ACV growth is now expected to be 11-16% compared to previous expectations of ~15%. The increasing size and complexity of a number of contracts is contributing to longer procurement cycles for some clients. The company remains on track to be underlying cash flow positive for the full year.

We expect to receive the proceeds from the Midway Ltd Scheme of Arrangement and Global Data Centres Group return of capital over the next two months. We continue to uncover new opportunities in which to deploy this capital and look forward to updating our investors on these new investments in future newsletters.

DIVIDENDS

SNC has declared 63.15 cents per share (cps) of fully franked dividends since listing in December 2013. The profits reserve is 39.0cps 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 inaugural quarterly dividend of 1.4cps will be paid on 7 March 2025. 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	11%
Fleetwood	10%
Carbon Conscious	8%
COG Financial Services	7%
Coventry Group	6%

INSTRUMENT EXPOSURE

Listed Australian Equities	71%
Listed International Equities	11%
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 10.4% 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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