

# Investment Report & NTA Update

14 MARCH 2024

## Net Tangible Asset Value per share as at 29 February 2024

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	% Discount to NTA*
\$0.965	\$0.990	\$1.004	\$0.64	36.25%

\* Percentage discount to NTA is calculated from the post tax NTA.

## Investment Portfolio Performance<sup>†</sup>

	1 Month	3 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. <sup>^</sup>	Inception (Total Return) <sup>^</sup>
<b>SB2<sup>#</sup></b>	3.83%	22.18%	-1.48%	-2.06%	-	1.16%	3.23%

<sup>#</sup> Salter Brothers Emerging Companies Limited (ASX:SB2)

<sup>†</sup> Investment portfolio performance is calculated net of Management fees but before taxes, other fees, and expenses. Performance has not been grossed up for franking credits received by shareholders.

<sup>^</sup> Inception date is 27 May 2021.

## Key Listed Contributors & Detractors

Key Contributors for February 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Ai-Media Technologies Ltd (AIM)	+29.8%	+2.0%
2	Ansarada Group Ltd (AND)	+35.8%	+1.8%
3	RPMGlobal Holdings Ltd (RUL)	+24.4%	+1.1%

Key Detractors for February 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Top Shelf International Holdings Ltd (TSI)	-23.6%	-2.2%
2	Aldicion Group Ltd (ALC)	-12.3%	-0.4%
3	Close The Loop Ltd (CLG)	-6.3%	-0.4%

## Key Features of the SB2 Portfolio

- Taking a two year view, the weighted average valuation upside of the listed holdings in the portfolio based on SB2 forecasts is greater than 80%.
- The SB2 equity portfolio quantitatively reflects the investment philosophy of the Investment Team – that is focused on capital preservation and long-term capital.
- Growth and income from its investments and generating attractive risk adjusted returns over the long term.
- As such, the weighted average investment profile of our portfolio (as at 29/02/2024) features:
  - Weighted average FY24-25F Revenue growth of +16%
  - Weighted average FY24-25F EBITDA margin of c.17%
  - Weighted average FY24-25F NPAT margin of c.8%
  - Weighted average FY24-25F P/E multiple of 8.6x

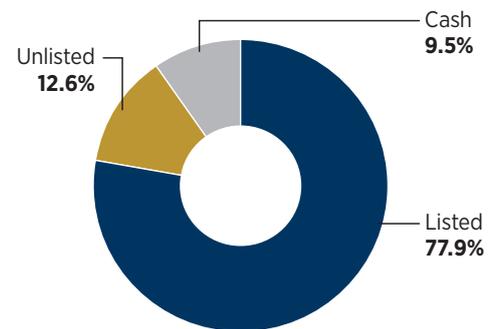
## Metrics of the Listed Portfolio\*\*

	FY23A	FY24F	FY25F
<b>Key Ratios</b>			
EV / Revenue (x)	2.4x	2.0x	1.6x
EV / EBITDA (x)	9.5x	9.6x	7.5x
EV / EBIT (x)	10.0x	6.7x	8.5x
P / E (x)	12.4x	7.6x	9.6x
<b>Portfolio Financials</b>			
Revenue Growth (%)	30%	17%	15%
EBITDA Margin (%)	11%	16%	18%
EBIT Margin (%)	3%	8%	12%
NPAT Margin (%)	-2%	6%	9%

\*\* All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 29/02/2024, adjusted for abnormalities.

## Portfolio Composition

- The SB2 Portfolio has 20 Listed holdings (77.9% of the total value), four Unlisted holdings (12.6% of the total value) and 9.5% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is ~\$168m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 29 February 2024.
- A key requirement of the Australian Significant Investor Visa regime is that the Fund invests in companies with a market capitalisation of less than \$500m. As such the Fund has a microcap bias and the Fund performance is driven by the performance of this sector of the market.



## February 2024 Monthly Update

The portfolio's positive momentum continued into February posting a +3.83% return for the month.

The month of February 2024 saw the majority of companies post their 6 month results to December 2023. The reported results met the managers expectations and in many cases exceeded. It was refreshing to see good results being rewarded by the market with positive share price moves. The relevant benchmark being the ASX Emerging Companies Accumulation Index increased +5.15% over January, broadly in line with the portfolio. The Emerging Companies Accumulation Index outperformed both the Small Ords and All Ords which returned +1.72% and +1.17% respectively. Indicating favourable market conditions are starting to return back towards the smaller capitalised companies.

During the month, the top three positive contributors to the portfolio were Ai-Media Technologies Ltd (**AIM**), Ansarda Group Ltd (**AND**) and RPMGlobal Holdings Ltd (**RUL**). The top three key detractors were Top Shelf International Holdings Ltd (**TSI**), Alcicion Group Ltd (**ALC**) and Close The Loop Ltd (**CLG**).

Ai-Media Technologies Ltd (**AIM**) released a strong set of 1H24 results reflected in the share price accretion over the month. AIM saw tech revenue growth of +38% vs pcp which positively impacted gross margin, hence increasing EBITDA by +39%. The other key callout was the \$3.1m improvement in operating cash flow generation. The Manager retains a high conviction in the position and sees further upside as they continue to deliver scalability and sustainable profitability.

Ansarda Group Ltd (**AND**) entered into a scheme implementation deed with Datasite. Under the terms of the Scheme, AND shareholders will be entitled to receive \$2.50 cash per share. The Manager believes there is additional potential beyond the bid amount. Consequently, the Manager has divested half of the position to reduce the risk associated with the scheme not proceeding. This strategic move also allows the Manager to capitalise on any potential additional upside in case of another competing bid.

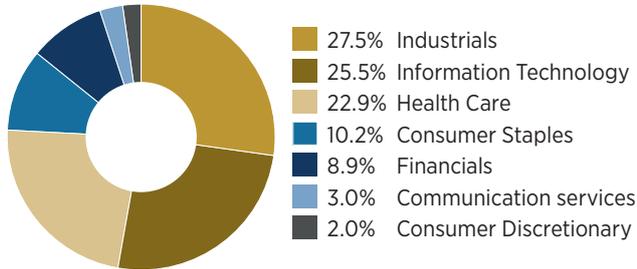
RPMGlobal Holdings Ltd (**RUL**) also announced a strong set of 1H24 results. The key highlights worth noting were the +21% growth in sales revenue vs pcp, driving uplift in both EBITDA and NPAT by \$4.7m and \$5.6m respectively. Management reaffirmed guidance noting the company continues to capture market share from their competitors, with the software sales pipeline replenished after a strong finish in FY23.

The key detractor for the month was Top Shelf International Holdings Ltd (**TSI**), who released their 1H24 results giving further detail to the given numbers from the 4C. As mentioned last month, the market has reacted negatively to the cash balance, combined with the low liquidity levels, seeing the gains earned over January negated. Although the company has proactively initiated a non-binding term sheet for a \$10.0m sale and leaseback of agave farmland and distillery assets.

Alcicion Group Ltd (**ALC**) announced their 1H24 results to the market. Renewing and winning key contracts over the period, with outlook highlighting the major cost out programs that have been initiated and to be completed in 2H24 totaling \$6.4m. EPR contracts hold the key for an uplift in revenue growth on top of the growth expected in the ongoing business operations. They are currently in tender for several large EPR contracts being presented which collectively have a total aggregate lifetime contract value of \$200m+. The Manager is comfortable with the direction the business is going in and has recently become a substantial shareholder in the business.

Close The Loop Ltd (**CLG**) released its 1H24 results with an upgraded earnings guidance. The management's commentary around ISP Tek acquisition stated the performance was better than expected (than when the acquisition was made), validating the investment thesis at the time of the acquisition. Taking CLG back to fundamentals, the business is undervalued trading at circa 5x EBITDA multiple, discounted against its listed peers. The Manager's conviction remains strong, continuing to top up the position at these levels.

## Listed Portfolio Sector Weights



## Top 5 Holdings

1. Top Shelf International Holdings Ltd (ASX:**TSI**)
2. Ai-Media Technologies Ltd (ASX:**AIM**)
3. Ozforex Group Ltd (ASX:**OFX**)
4. Medadvisor Ltd (ASX:**MDR**)
5. Probiotec Ltd (ASX:**PBP**)

## Investment Team



### Gregg Taylor

Investment Director  
25+ years' experience  
Previous:  
Bombora Investment Management,  
Blue Ocean Equities



### Advait Joshi

Senior Analyst  
6+ years' experience  
Previous:  
Bombora Investment Management,  
UBS Investment Bank



### Francis Crossle

Analyst  
1+ years' experience

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Authorised for release by the Board of SB2.

### Important information

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