



SALTER BROTHERS
EMERGING COMPANIES LIMITED
(ASX CODE: SB2)

JULY 2024



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EXECUTIVE SUMMARY



- Salter Brothers is a global fund manager with over \$3.5B of group assets under management.
- Salter Brothers Emerging Companies Limited (ASX-SB2) is a listed investment company (LIC) dedicated to investing in small cap Australian companies with a market capitalisation of under \$500M. It offers a professionally managed and diversified exposure to the Australian small cap sector
- SB2 is managed by a large and proven investment team. Gregg Taylor is the Lead Portfolio Manager with over 25 years small cap investing experience.
- SB2 has a strong three-year track record of outperforming the small cap market.
- As at 30 June 2024 the current share price of SB2 trades at a ~40% discount to the underlying post tax NTA value.
- The relative valuation of Australian small cap equities versus Australian large cap equities is at 20-year lows, offering a unique time in the cycle to invest in the sector.



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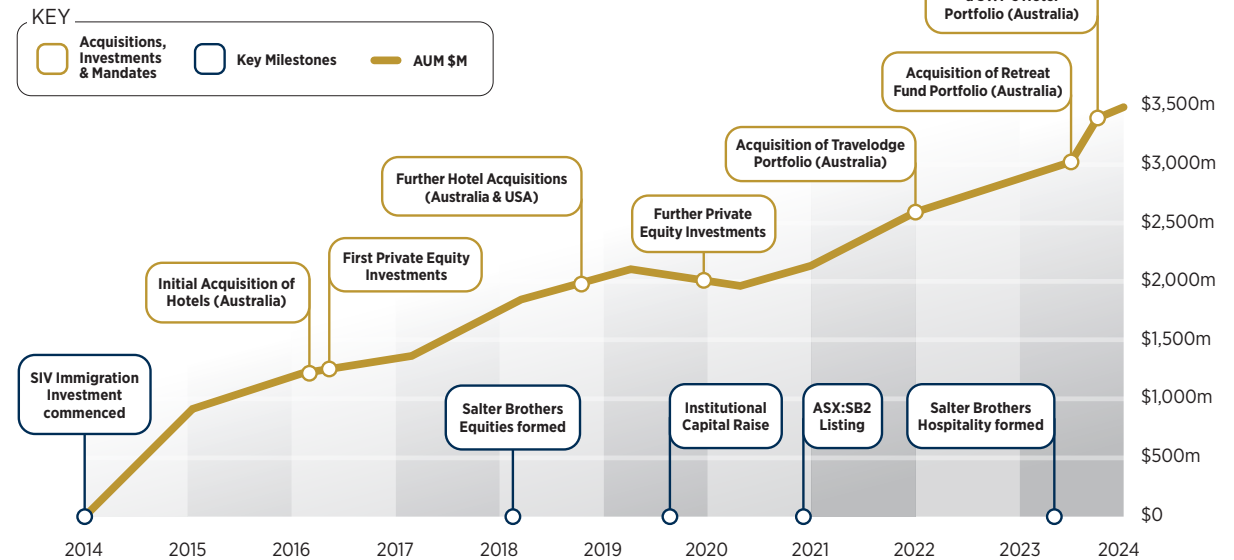


ABOUT SALTER BROTHERS

› Salter Brothers is a **Global Fund Manager** with a focus on alternative investment offerings for high net worth and institutional investors across **Equities, Property, and Credit**

- With Group assets under management of **over A\$3.5 billion**, Salter Brothers has established a track record of acquiring and adding value to high quality specialist assets and investing in selected growth businesses
- **International footprint** across Asia-Pacific and North America through its range of Funds and Partnerships
- **A diverse, multi-disciplinary team** with extensive funds management, investments, property, capital markets, finance and commercial experience, which is **led by a focused leadership group** who are dedicated to delivering value to investors

Salter Brothers' Milestones



THE SALTER BROTHERS TEAM

Board of Salter Brothers Asset Management



John Humphreys
Chairman
30+ years' industry experience
Previous: KPMG, Bearing Point



Robert Salter
Executive Director & CEO
20+ years' industry experience
Previous: Macquarie Bank, UBS, Merrill Lynch



Paul Salter
Managing Director
20+ years' industry experience
Previous: MAP Capital, KPMG, EY



George Boubouras
Director & Investment Advisor
27+ years' industry experience
Previous: Contango Asset Management, UBS, Macquarie, HSBC



Chris Calvert
Non-Executive Director
27+ years' industry experience
Previous: Cambridge Industrial Trust, Macarthur Cook Ltd



Robert Millar
Company Secretary
20+ years' finance experience
Previous: various accounting firms

Board of Salter Brothers Emerging Companies Ltd. (SB2)



John Vatovec
Chairman
26+ years' industry experience
Previous: Macquarie Bank, Lowy Funds Management



Marco Marcou
Non-Executive Director
30+ years' industry experience
Previous: Deloitte Consulting, MAP Capital, Kazakhstan Potash Corporation Limited



Robert Salter
Non-Executive Director
20+ years' industry experience
Previous: Macquarie Bank, UBS, Merrill Lynch



Justin Mouchacca
Company Secretary
15+ years' industry experience

Equities Investment Team



Gregg Taylor | *Head of Equities Investment Director – Listed / Pre-IPO*
25+ years' experience
Previous: Bombora Investment Management



Tineyi Matanda
Investment Director – Private / Growth Equity
17+ years industry experience
Previous: MAP Capital, PwC



Keegan Cuolahan
Analyst
3+ years' experience
Previous: Maddocks Lawyers



Francis Crossle
Analyst
2 years' experience

Senior Management



Paul Joyce
Chief Operating Officer
20+ years' experience
Previous: JCP Investment Partners, MLC



Peter Hamilton, CA
Chief Financial Officer
20+ years' experience
Previous: EY, McGrathNicol, Integral Diagnostics



Karen Bomford
GM – Operations
16+ years' industry experience
Previous: Macquarie Bank, Commonwealth Private Bank

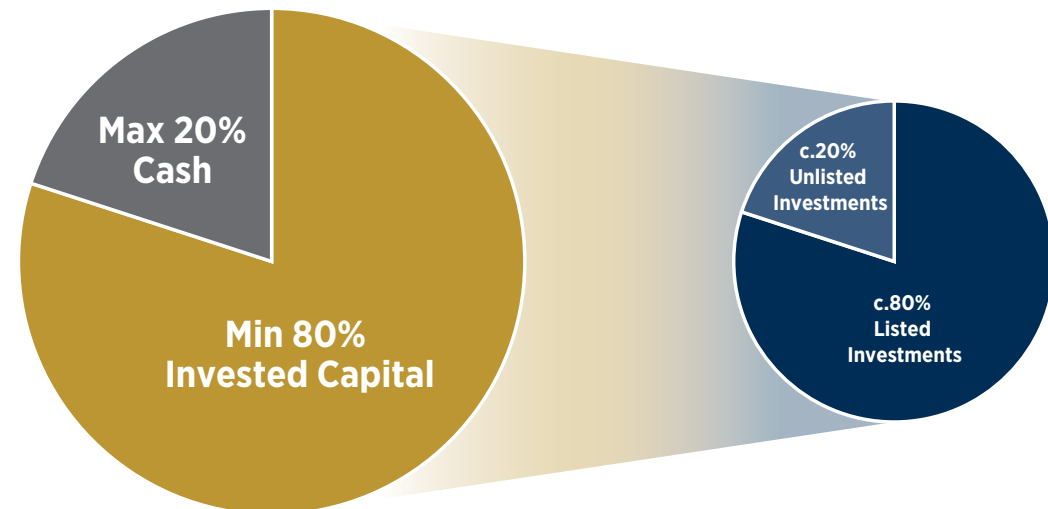


Cindy Seetoh
Manager – Compliance
12+ years' experience
Previous: Lewis Land Group, CIT REIT, Newedge Group, Barclays, JPMorgan



ABOUT THE MANAGER: SALTER BROTHERS FUNDS MANAGEMENT

- Salter Brothers Funds Management is an experienced Public/Private, Small/Emerging Companies Equity Manager with a proven track record of being a lead active investor in quality growth companies with global opportunity sets, deep intellectual property and strong management
- Salter Brothers Emerging Companies Limited (SB2), a Listed Investment Company (LIC) which has ~\$100M funds under management, is focused on investment in public and private small cap Australian companies (sub \$500M market capitalisation)
- SB2 was established to provide investors with exposure to unlisted and listed growth equities, a sector that historically may have been more difficult for investors to access
- Key financial profiles of our portfolio companies include:
 - Earnings growth
 - Sustainable business models
 - Strong balance sheets
- SB2 typically holds c.5-10% Cash (with a max of 20%) and c.90-95% invested capital (with a max of 20% unlisted investments)



THE SB2 INVESTMENT TEAM



Gregg Taylor - Lead Portfolio Manager
Investment Director & Head of Equities

Years within:

- Salter Brothers: 2
- Industry: 25+

- › Previously Chief Investment Officer and Portfolio Manager at Bombora Investment Management
- › Prior to that: Executive at Blue Ocean Equities; Investment Manager at Schroders covering ASX-listed companies
- › Current Directorships: Bikeexchange (ASX:BEX); IP Solutions International (IPSI); True Woo
- › Previous Directorships: Acrow Formwork (ASX:ACF); Marketplacer; Vortiv (ASX:VOR); Cronulla Sharks Football Club
- › Bachelor of Commerce (University of Wollongong), Chartered Financial Analyst (CFA)



Tineyi Matanda
Director

Years within:

- Salter Brothers: 7
- Industry: 17+

- › Tineyi has extensive institutional investment experience in private equity, growth capital, and venture capital.
- › He currently serves as the Investment Director at Salter Brothers, overseeing unlisted funds, investment assessment, transaction execution, and post-investment strategic management.
- › His previous roles include middle market advisory at MAP Capital and PwC, focusing on mergers and acquisitions.
- › Current directorships: DisplaySweet; Sphere For Good.
- › Previous Directorships/Alternate: Inference Solutions; AirService; Chefgood; Africa Day Australia.



Keegan Cuolahan
Analyst

Years within:

- Salter Brothers: 2
- Industry: 3

- › Keegan supports the Investment team with investment analysis, due diligence, and modelling for listed and unlisted investments.
- › Holds a Bachelor of Commerce and a Masters of International Finance from Deakin University.



Francis Crossle
Analyst

Years within:

- Salter Brothers: 2
- Industry: 2

- › Francis plays a pivotal role within Salter Brothers' Investment team, handling financial modelling and research for both Listed and Unlisted funds, and supporting with transactions, due diligence, and other critical tasks.
- › Recently completed a Bachelor of Business (UTS)



THE MANAGER'S INVESTMENT PROCESS

A robust investment process designed to enable Salter Brothers Funds Management to stay on top of performance

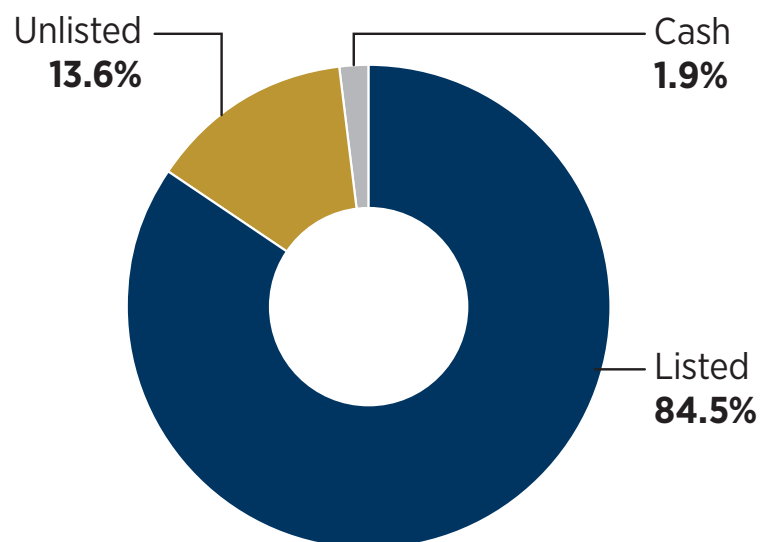
1	Opportunity Sourcing	The Manager utilises its network of financial advisors and brokers, industry experts and operational partners to identify a large number of investment opportunities.
2	Investment Universe Screening	A quantitative screen is then applied to the Investment Universe. A qualitative review of the investment screen is then conducted by the Manager. We look for IP-driven, sustainable businesses with earnings growth and strong balance sheets at reasonable valuations .
3	Phase 1 Due Diligence	Phase 1 due diligence includes a review of company financials and building an initial model on the business, detailed valuation analysis based on both a 2-year forward valuation multiple based on trading metrics of comparable companies as well as a DCF valuation, and an initial meeting with management.
4	Phase 2 Due Diligence	Phase 2 Diligence includes finalising the financial model including all forecast assumptions, site visits and follow-up meetings with management if required and insights from Salter Brothers network of industry experts, advisors and the target company's customers and competitors.
5	Investment Approval	A detailed discussion will take place with the Lead Portfolio Manager to review outputs of the due diligence process. Opportunities may be rejected, may require further due diligence or may be accepted for investment.
6	Ongoing Reporting & Monitoring	The Investment team will often work with and assist the management and Board of portfolio companies, acting as an investment partner to unlock the growth potential of the company including monthly board meetings.



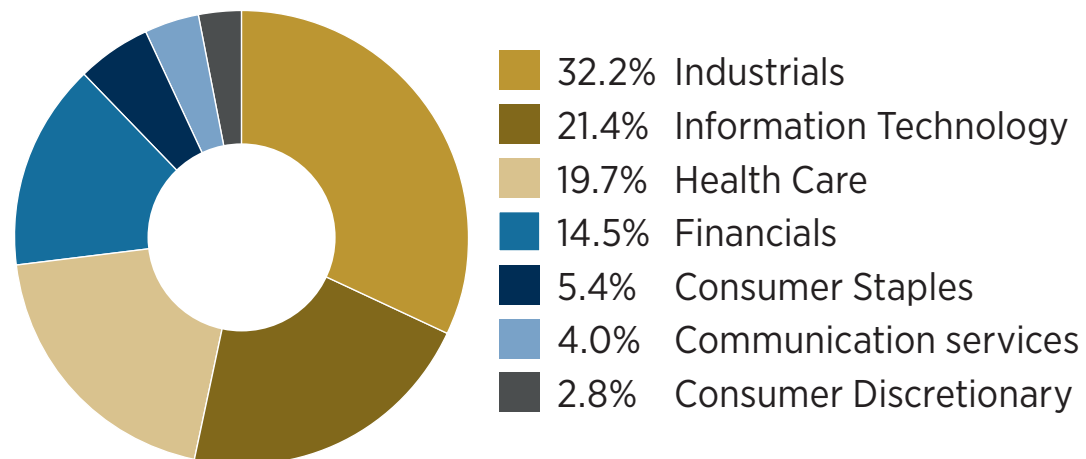
THE SB2 PORTFOLIO

Portfolio Composition (as at 30/06/2024)

- › The SB2 Portfolio has 25 Listed holdings (84.5% of the total value), 5 Unlisted holdings (13.6% of the total value) and 1.9% Cash.
- › The weighted average market capitalisation of the stocks in the listed portfolio is ~\$219m.



Portfolio Sector Weights



Top 5 Holdings

	Market Cap	Sector
1. OFX Group Ltd (ASX: OFX)	\$530m	Other Financial Services
2. Ai-Media Technologies Ltd (ASX: AIM)	\$71m	Business Software
3. Alfabs Australia Ltd (ASX: AAL)	\$72m	Construction & Engineering
3. Close the Loop Ltd (ASX: CLG)	\$180m	Environmental Services
5. Smart Parking Ltd (ASX: SPZ)	\$164m	Automotive Services



KEY FEATURES OF THE PORTFOLIO

Our investment process has led to the creation of a profitable portfolio with strong revenue growth with undemanding trading multiples.

- 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 30/06/2024) features:
 - Weighted average FY24-25F **Revenue growth of +18%**
 - Weighted average FY24-25F **EBITDA margin of c.17%**
 - Weighted average FY24-25F **NPAT margin of c.6%**
 - Weighted average FY24-25F **P/E multiple of 8.9x**

Metrics of the Portfolio*	FY23A	FY24F	FY25F
Key Ratios			
EV / Revenue (x)	2.5x	1.9x	1.6x
EV / EBITDA (x)	10.4x	10.0x	8.6x
EV / EBIT (x)	10.3x	8.8x	7.2x
P / E (x)	14.0x	9.8x	8.1x
Portfolio Financials			
Revenue Growth (%)	32%	18%	18%
EBITDA Margin (%)	10%	15%	18%
EBIT Margin (%)	4%	8%	11%
NPAT Margin (%)	-2%	4%	7%

* All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 30/06/2024, adjusted for abnormalities.

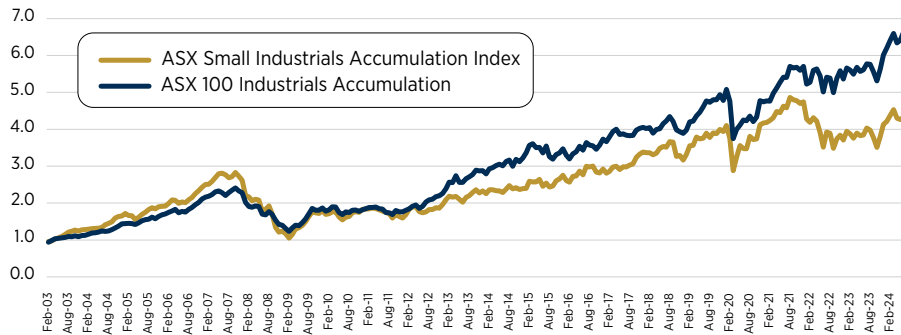


WHY INVEST IN SMALL CAPS?

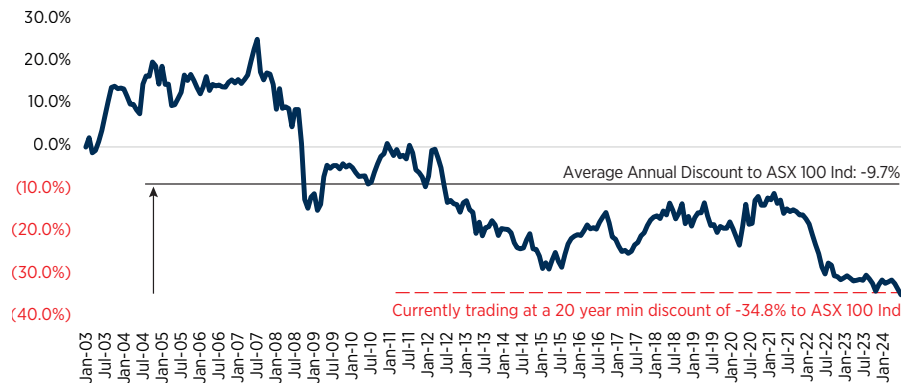
With interest rates nearing the peak in the cycle and improving fundamentals, we expect investor sentiment regarding Small Caps to turn around in FY25.

- › The performance differential between ASX-listed Small and Large Industrials is trading at the bottom of a 20 year range.

Relative Performance of Small & ASX 100 Industrials indexed to Jan '03



Discount - Small Industrials to ASX 100 Industrials - Indexed to Jan '03

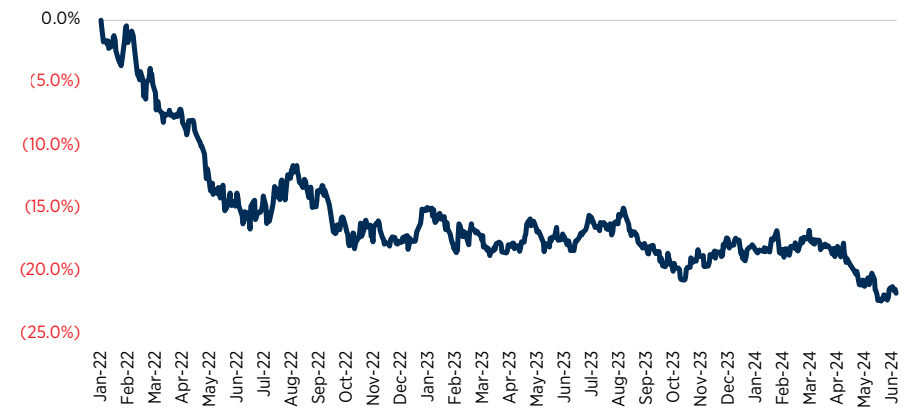


Index numbers above from 01/01/03 to 30/06/24

Disparity in performance between ASX-listed Small and Large Cap Industrials is beginning to revert, presenting a promising opportunity for Small and Micro Cap Fund Managers.

- › The disparity in performance becomes more evident when comparing the relative performance of ASX-listed Small and Large Industrials since the start of 2022. Small Industrials have declined by -10.5% since January 2022, while the ASX 100 Industrials have gained 14.3%.
- › This trend has started to throughout FY24, with Small Industrials rising by 11.6%, compared to an 17.9% increase in the ASX 100 Industrials. As sentiment continues to improve with the easing of inflation and interest rate cuts, this gap is expected to narrow further, potentially leading to a reversal in performance trends.

Discount - Small Industrials to ASX 100 Industrials - Indexed from Jan '22



Index numbers above from 01/01/22 to 30/06/24



SB2 NAV PERFORMANCE

SB2 has consistently outperformed the Small Ords since inception, achieving positive returns while successfully navigating the strong headwinds faced by ASX micro-cap companies.

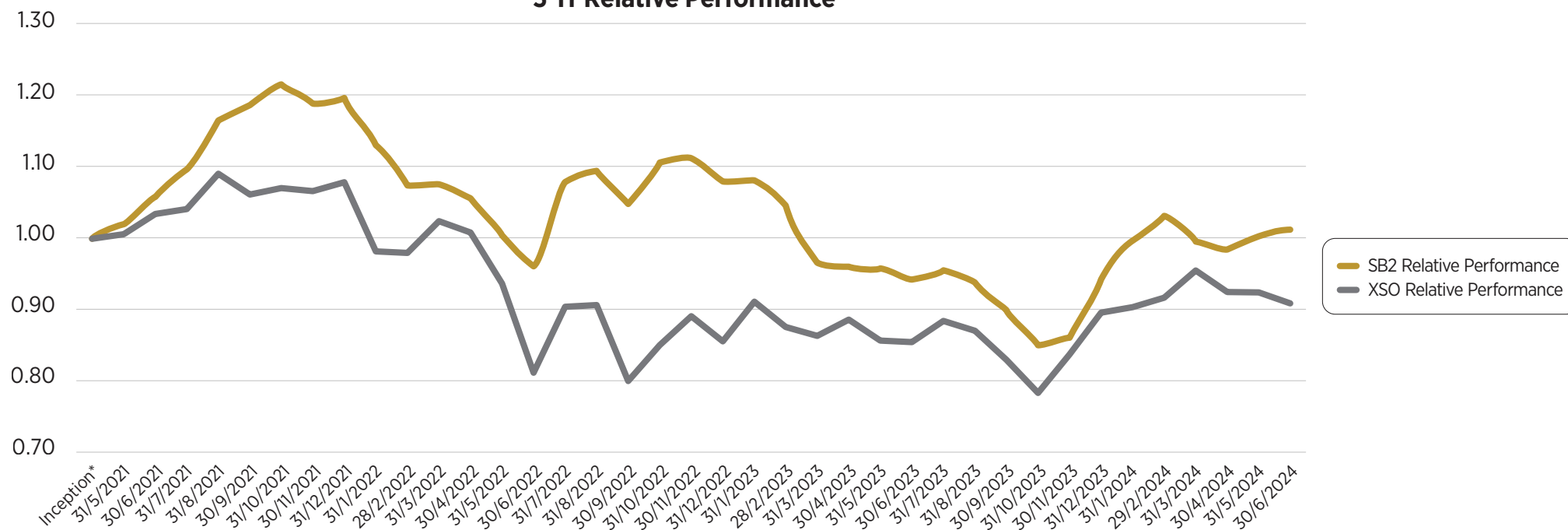
Performance Summary	SB2	Small Ords [#]	Outperformance
1 Months [^]	1.01%	-1.66%	2.67%
6 Months	8.17%	0.59%	7.58%
12 Months	8.10%	6.39%	1.71%
Inception [*]	1.28%	-9.08%	10.36%

Up to \$2.5b

[^] June-30-2024 performance is an indicative unaudited number

^{*} Inception is 27 May 2021

3 Yr Relative Performance



* Inception is 27 May 2021



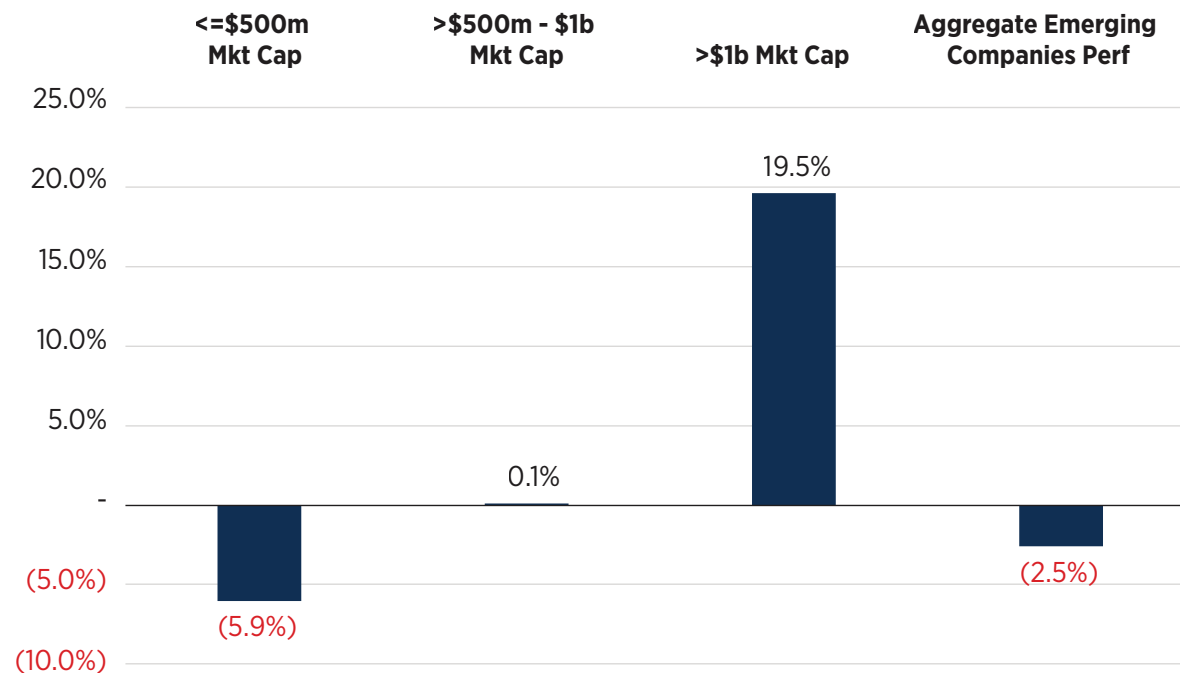
ASX EMERGING COMPANIES INDEX - SIMULATED PERFORMANCE BY MARKET CAP

- › We simulated the ASX Emerging Companies Index (a peer benchmark to Salter Brothers Emerging Companies) replicating its current (live) constituents as at 30/06/2024, and arrived at an index return of -2.5% over the last 12 months.
- › Assessing the performance of the simulated Emerging Companies Index constituent index over the same period across market capitalisation ranges reveals the index's performance has been driven solely by companies with >\$500 million market cap. It is worth noting that that constituents >\$500 million make up 40% of the total index. <\$500 million companies returned negative performance of -5.9%.

Performance By Mkt Cap Ranges

	12 Months
<=\$500m Mkt Cap	(5.9%)
>\$500m - \$1b Mkt Cap	0.1%
>\$1b Mkt Cap	19.5%
Aggregate Emerging Companies Perf	(2.5%)

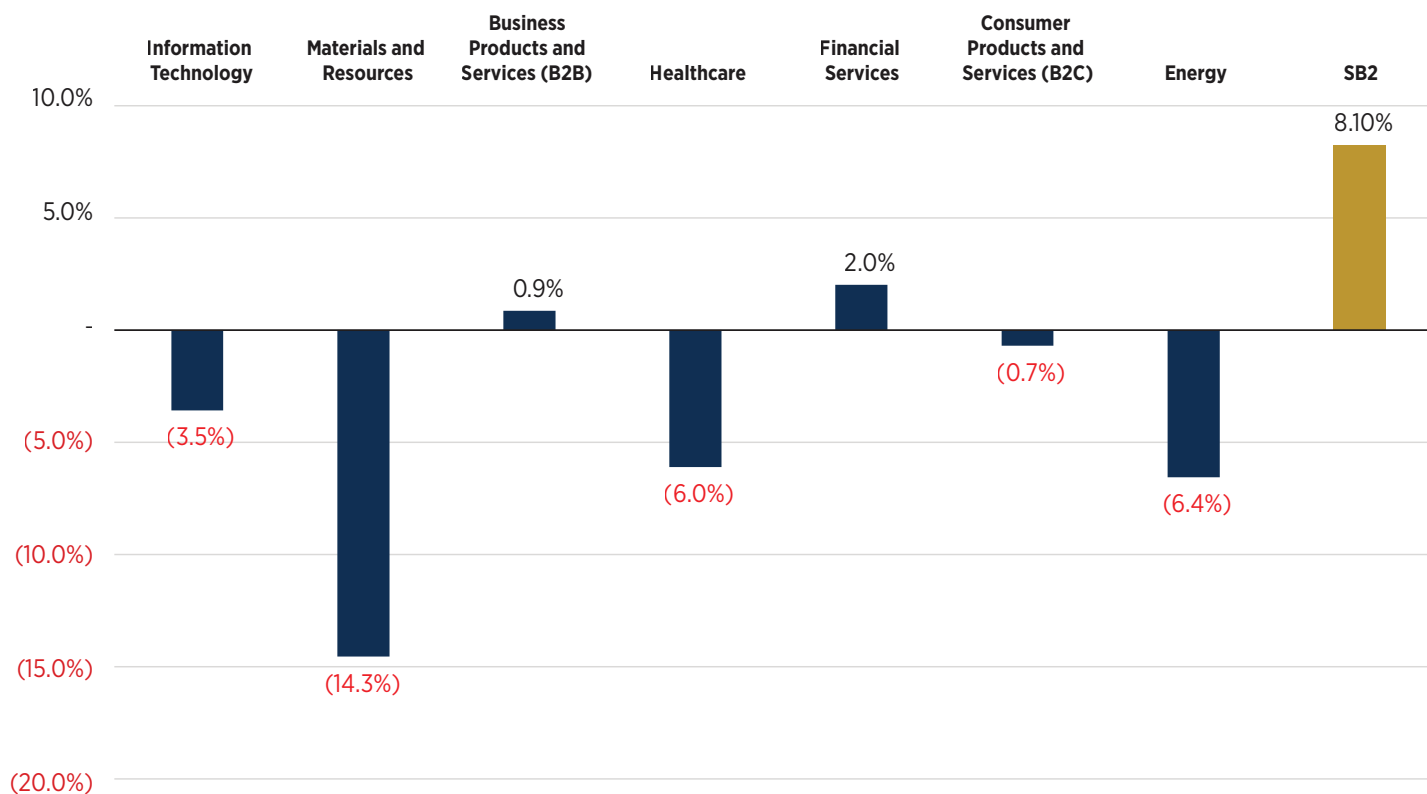
Performance of ASX Emerging Companies by Market Cap Ranges over the last 12 Months



SIMULATED PERFORMANCE OF SUB-500M MARKET CAP CONSTITUENTS BY SECTOR

The underperformance of sub-\$500m market capitalisation constituents becomes more apparent when viewing their contribution by sector.

Performance of sub-\$500m market cap constituents of Emerging Companies by sector (12 Months)



Perf. Of Sub-\$500m Constituents By Sector	
12 Months	
Information Technology	(3.5%)
Materials and Resources	(14.3%)
Business Products and Services (B2B)	0.9%
Healthcare	(6.0%)
Financial Services	2.0%
Consumer Products and Services (B2C)	(0.7%)
Energy	(6.4%)
Total <=\$500m Mkt Cap Range	(5.9%)
SB2 12 month performance	8.1%
Outperformance	14.0%



SECTOR PREFERENCES

SB2 takes advantage of its broad mandate to seek outperformance through the cycle

Target Industry Sectors:

- › Focus on both software technology companies as well as on industrial companies (though with no exposure to resources)
- › Looking for Defensive growth underpinned by strong intellectual property, management and balance sheet. Ideally companies with pricing power to navigate inflationary pressures
- › Avoiding sectors reliant on the consumer or strong economic growth such as retail
- › Also spending time reviewing unlisted opportunities which are presenting compelling risk v reward scenarios

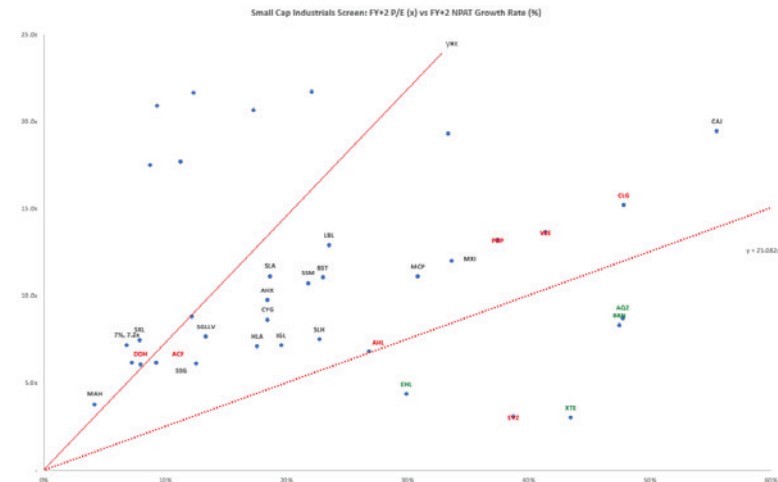
Target Sector Examples:

- › Technology
- › Telecommunications
- › Media
- › Healthcare
- › Financial Services
- › Infrastructure and related services
- › General Industrial
- › Energy – including Renewables

The Manager's Software Technology Screen



The Manager's Industrials Screen



Source: CapitalIQ, SB2



CONTACT US



Gregg Taylor

Investment Director
& Head of Equities

E | gregg.taylor@salterbrothers.com.a



Yossi Kraemer

Co-head Capital Partnerships
& Director Funds Management

E | yossi.kraemer@salterbrothers.com.au

P | 03 9258 2100

E | info@salterbrothersemergingcompanies.com.au

W | www.salterbrothersemergingcompanies.com.au

