

Investment Report & NTA Update

13 SEPTEMBER 2024

Net Tangible Asset Value per share as at 31 August 2024

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	% Discount to NTA*
\$1.019	\$1.042	\$1.037	\$0.650	-37.32%

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

Investment Portfolio Performance[†]

	1 Month	3 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. [^]	Inception (Total Return) [^]
SB2[#]	-0.47%	8.47%	16.59%	-0.65%	-2.50%	2.45%	8.20%

[#] Salter Brothers Emerging Companies Limited (ASX:SB2)

[†] 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.

[^] Inception date is 27 May 2021.

Key Listed Contributors & Detractors

Key Contributors for August 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Ai-Media Technologies Ltd (AIM)	+23.6%	+2.1%
2	PYC Therapeutics Ltd (PYC)	+48.9%	+1.6%
3	Bigtincan Ltd (BTH)	+22.7%	+0.6%

Key Detractors for August 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Close The Loop Ltd (CLG)	-26.2%	-1.3%
2	Top Shelf International Ltd (TSI)	-21.5%	-1.0%
3	Ozforex Group Ltd (OFX)	-10.4%	-0.7%

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 31/08/2024) features:
 - Weighted average FY25-26F Revenue growth of c.+21%
 - Weighted average FY25-26F EBITDA margin of c.16%
 - Weighted average FY25-26F NPAT margin of c.7%
 - Weighted average FY25-26F P/E multiple of 8.5x

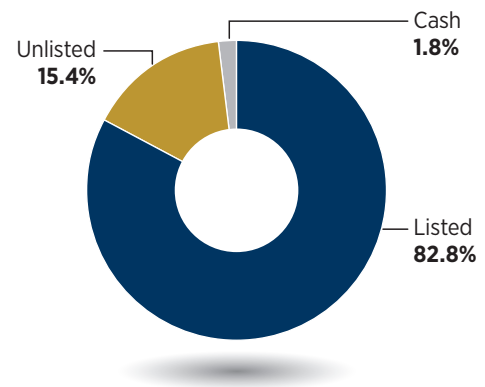
Metrics of the Listed Portfolio**

	FY24A	FY25F	FY26F
Key Ratios			
EV / Revenue (x)	2.0x	1.6x	1.4x
EV / EBITDA (x)	10.4x	9.9x	7.7x
EV / EBIT (x)	14.0x	11.0x	7.3x
P / E (x)	9.1x	9.2x	7.3x
Portfolio Financials			
Revenue Growth (%)	14%	21%	22%
EBITDA Margin (%)	9%	12%	19%
EBIT Margin (%)	5%	6%	13%
NPAT Margin (%)	-2%	3%	8%

**All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 31/08/2024, adjusted for abnormalities.

Portfolio Composition

- The SB2 Portfolio has 24 Listed holdings (82.8% of the total value), 7 Unlisted holdings (15.4% of the total value) and 1.8% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is ~\$195m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 31 August 2024.
- A key requirement of the Australian Significant Investor Visa regime is that the portfolio invests in companies with a market capitalisation of less than \$500m. As such the portfolio has a microcap bias and the portfolio performance is driven by the performance of this sector of the market.



August 2024 Monthly Update

In August, the portfolio posted a flat return of -0.47%, after delivering strong performance in the month of July. The ASX Emerging Companies Index, was up 1.85% for the month. The combined months of July and August are important for small caps as most companies release their full year financial results and provide an update on current trading and outlook. Pleasingly the majority of the portfolio holdings delivered strong FY24 financial results, and trading updates. As always there were a couple of surprises.

Overall, the FY24 reporting season was solid without being great. Companies that met or exceeded expectations and pointed to a positive outlook were rewarded, though companies that missed expectations were punished. Volatility was higher than average with some wild swings on the day of results creating trading opportunities. Later in the month of September we will be providing a more detailed review of the reporting season and outlook for small caps.

Independent of the bottom-up financial results of small cap companies, the top down environment was also volatile. August began with a global selloff driven by macroeconomic concerns, but markets rebounded as expectations grew for potential monetary easing by the US Federal Reserve. In Australia, the market continues to grapple with a softer operating environment for businesses and consumers versus an increased probability of interest rate cuts. We believe this dynamic will continue to play out for the remainder of 2024.

During the month, the top three positive contributors to the portfolio were Ai-Media Technologies Ltd (AIM), PYC Therapeutics Ltd (PYC) and Bigtincan Holdings Ltd (BTH). The top three key detractors were, Close The Loop Inc (CLG), Top Shelf International Holdings Ltd (TSI) and OFX Group Ltd (OFX).

Ai-Media Technologies Ltd (AIM) continued its strong performance, driven by the release of its FY24 annual report, which outlined strong revenue growth and a clear path for future expansion. The Company reported FY24 results broadly in line with expectations, delivering revenue and earnings growth. The growth was primarily driven by the company's flagship AI-powered LEXI product, which saw a 40% increase in revenue. AIM's five-year plan, targeting \$150 million in revenue and \$60 million in EBITDA, positions it for continued success as a global leader in AI-driven captioning and translation services. There is significant upside in valuation over the next 5 years on the successful execution of this aspiration.

PYC Therapeutics Ltd (PYC) is a catalyst and IP rich Company operating in the rare disease sector with strong Management. PYC delivered promising news in August with the announcement that its PYC-001 drug program was granted Rare Pediatric Disease designation by the FDA. This designation makes PYC eligible for a Priority Review Voucher upon approval, significantly enhancing the value of its drug development pipeline. The company is also set to commence human trials for its PYC-001, positioning it as a leader in precision therapies for genetic diseases.

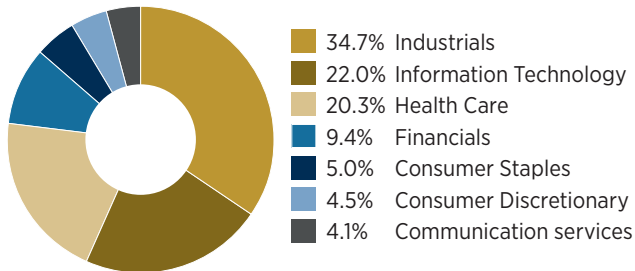
Bigtincan Holdings Ltd (BTH) also delivered an improved performance in August, reporting record EBITDA for FY24 and achieving positive free cash flow in the second half of the year. The company's strategic focus on core profitable customers, coupled with its cost-cutting initiatives, drove a significant improvement in its financial results. The development of its GenieAI product suite further bolstered the company's market position, contributing to growth in Annual Recurring Revenue. The Manager views Bigtincan's transformation and focus on profitability as a key step in positioning the company for sustained growth moving forward.

Close the Loop Ltd (CLG) delivered an underwhelming FY24 result primarily disappointing on the cash flow conversion of earnings. The Company met its target revenue and EBITDA for the period, though the significant increase in working capital and higher net debt position spooked the market. The Manager held multiple meetings with Management and undertook a deep review of the position which we will continue to monitor closely. Trading at approximately 4x EBITDA and 9x P/E, the company offers an interesting risk v reward dynamic if cash conversion can be improved. Its strategic positioning within the circular economy, particularly in IT refurbishment services, provides a strong foundation for future growth and long-term value creation.

Top Shelf International Ltd (TSI) experienced a pullback in its stock price despite delivering improved operational results, including the nationwide launch of its Act of Treason Australian Agave. The company's focus on brand portfolio distribution and cost base reduction, resulted in a 50% improvement in underlying EBITDA. Balance sheet remains a concern for the market and until resolved will limit valuation upside. The Company is actively working through solutions for balance sheet strengthening. The Manager believes the company's long-term strategy of capitalising on premium Australian spirits will yield significant value, and recent developments in agave production position it for future growth.

OFX Group Ltd (OFX) was primarily impacted by the macro environment, with no new news flow, following the release of its FY24 results in May. The Manager remains confident in OFX's ability to deliver consistent value to shareholders, driven by its strong market position and Management capabilities.

Listed Portfolio Sector Weights



Top 5 Holdings

1. Ai-Media Technologies Ltd (ASX:**AIM**)
2. Alfabs Australia Ltd (ASX:**AAL**)
3. Alcidion Group Ltd (ASX:**ALC**)
4. OFX Group Ltd (ASX:**OFX**)
5. Smart Parking Ltd (ASX: **SPZ**)

Investment Team



Gregg Taylor

Investment Director
25+ years' experience
Previous:
Schroders Investment Management and
Bombora Investment Management



Tineyi Matanda

Investment Director – Funds Management
17+ years' experience
Previous: PwC



Keegan Cuolahan

Analyst
3+ years' experience



Francis Crossle

Analyst
2+ years' experience

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Authorised for release by the Board of SB2.

Important information

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