

# Investment Report & NTA Update

11 NOVEMBER 2024

## Net Tangible Asset Value per share as at 31 October 2024

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	% Discount to NTA*
\$1.062	\$1.067	\$1.071	\$0.705	-34.17%

\* 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>	1.30%	3.30%	34.84%	0.57%	-3.24%	3.51%	11.91%

<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 October 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Felix Group Holdings Ltd (FLX)	+50.0%	+1.8%
2	Alfabs Australia Ltd (AAL)	+23.1%	+1.7%
3	Ai-Media Technologies Ltd (AIM)	+13.9%	+1.5%

Key Detractors for October 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Medadvisor Ltd (MDR)	-44.7%	-1.7%
2	Oz-forex Group Ltd (OFX)	-32.4%	-1.5%
3	Close The Loop Ltd (CLG)	-19.0%	-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 31/10/2024) features:
  - Weighted average FY25-26F Revenue growth of c.+18%
  - Weighted average FY25-26F EBITDA margin of c.17%
  - Weighted average FY25-26F NPAT margin of c.6%
  - Weighted average FY25-26F P/E multiple of c.6.4x

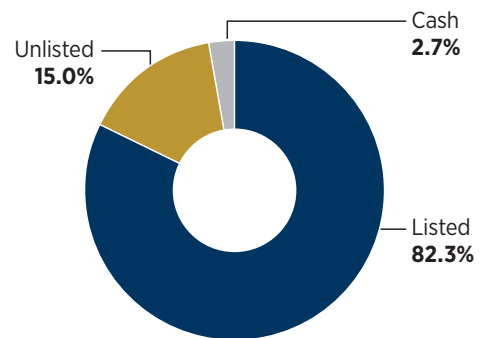
## Metrics of the Listed Portfolio\*\*

	FY24A	FY25F	FY26F
<b>Key Ratios</b>			
EV / Revenue (x)	1.8x	1.7x	1.4x
EV / EBITDA (x)	9.4x	7.7x	5.9x
EV / EBIT (x)	8.2x	5.5x	6.2x
P / E (x)	5.6x	6.8x	6x
<b>Portfolio Financials</b>			
Revenue Growth (%)	14%	19%	17%
EBITDA Margin (%)	11%	15%	20%
EBIT Margin (%)	-1%	6%	12%
NPAT Margin (%)	-4%	3%	8%

\*\*All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 31/10/2024, adjusted for abnormalities.

## Portfolio Composition

- The SB2 Portfolio has 22 Listed holdings (82.3% of the total value), 7 Unlisted holdings (15.0% of the total value) and 2.7% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is -\$228m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 31 October 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.



## October 2024 Monthly Update

In October, SB2 holdings delivered strong performance, gaining 1.3% throughout the month. The portfolio notably outperformed the Emerging Companies index by 1.16%, with the index increasing just 0.14%.

October is another important period for small caps as many companies release their first quarter results. This October also experienced increased volatility as market speculation of the US election intensified, with the prospect of a Trump victory positively influencing the market. The portfolio navigated these fluctuations effectively, demonstrating resilience in a volatile environment.

The global market held steady through October, preserving its August and September gains, with some support from easing inflationary pressures and a more relaxed stance on monetary policy. Notably the resource stocks have shown strength, benefiting from both the surge in commodity prices and increased economic stimulus measures from China announced in late September. SB2 does not have any direct exposure to the resource sector.

During the month, the top three positive contributors to the portfolio were Felix Group Holdings Ltd (**FLX**), Alfabs Australia Ltd (**AAL**), Ai-Media Technologies Ltd (**AIM**). The top three detractors were, Medadvisor Ltd (**MDR**), Oz-forex Group Ltd (**OFX**), Close The Loop Ltd (**CLG**).

Felix Group Holdings Ltd (**FLX**) delivered strong performance in October, marked by its maiden quarter of positive operating cash flow, totaling \$345 thousand – a major milestone for management and shareholders. The company reported an additional \$215 thousand in contractor ARR with zero customer churn and grew vendors over 7.5% quarter-on-quarter to reach 109 thousand. Having achieved a positive cash flow, Felix is now focused on accelerated growth strategies, including international expansion and vendor monetisation. The investment team remains confident in these growth initiatives, expecting a substantial upside with successful execution.

Alfabs Australia Ltd (**AAL**) saw a positive re-rating in October, driven by increased market understanding and a successful investor day attended by the investment team, which reinforced confidence in AAL's management and growth strategy. The investment team holds strong conviction in Alfabs' near-term outlook. This is driven by robust contract wins such as the \$42m Malabar hire contract, with much of the equipment already in use. Alongside this, Alfabs is progressing on alternative hire projects at Dartbrook and other smaller initiatives. Additionally, the company has sharply increased production of its "Bat Bags" in response to recent legislative changes in NSW, which have doubled demand requirements, creating a powerful tailwind for future growth.

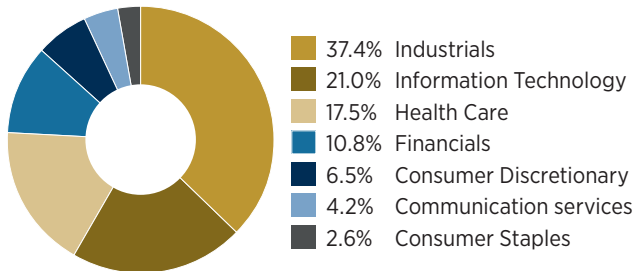
Ai-Media Technologies Ltd (**AIM**) shares continued their upward trajectory in October, driven by sustained momentum from previous announcements. Market enthusiasm remains high for AIM's 5-year aspirational target of \$150m Revenue and \$60m EBITDA. The company also recently announced the appointment of two high quality US directors to help accelerate growth in the US. Otto Berkes has 30 years' experience as an original founder of X-box, general manager at Microsoft, and former CTO at both HBO and CA Technologies. Brad Bender holds 25 years' experience, most recently as head of Google news and search eco-systems and also previously founded Google display network. With continued execution the investment team remains bullish on the long-term performance of AIM.

Medadvisor Ltd (**MDR**) came under pressure after its quarterly update revealed "minor operational challenges" resulting in a modest decline in revenue and margin for the period. MDR assured that these issues have been identified and resolved, underscoring the strategic value of its platform investment, which aims to streamline operations, reduce costs, and support scalable growth. Looking ahead, the company expressed confidence in strong demand for the remainder of the financial year, supported by a growing pipeline leading into quarter two 2025 positioning MDR well for future growth.

Oz-forex Group Ltd (**OFX**) experienced a significant decline in share price following a negative trading update in October, which surprised the market. The trading update contradicted earlier optimistic statements, including reports of a "good start in April, Q1 in line with higher expectations" and AGM commentary "NOI in line with expectations". The company was most significantly impacted by a fall in corporate transaction across the UK and Canada as customers delayed purchases due to increased uncertainty around global interest rate shifts. The company did however report strong growth in Australia the first market to receive the new client platform. With revenue including non-FX up 38% on PCP.

Close The Loop Ltd (**CLG**), share price experienced a further decline through October in the absence of material news flow. An update is anticipated at the forthcoming AGM, where management is expected to address key business cash conversion metrics. Following a recent meeting with the company's management, the investment team remains confident with the investment size until further detailed metrics are presented.

## Listed Portfolio Sector Weights



## Top 5 Holdings

1. Ai-Media Technologies Ltd (ASX:**AIM**)

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2. Alfabs Australia Ltd (ASX:**AAL**)

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3. Bluebet Holdings Ltd (ASX:**BBT**)

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4. EML Payments Ltd (ASX:**EML**)

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5. PYC Therapeutics Ltd (ASX:**PYC**)

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## 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



### Francis Crossle

Analyst  
2+ years' experience

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Authorised for release by the Board of SB2.

### Important information

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