

Investment Report & NTA Update

12 DECEMBER 2023

Net Tangible Asset Value per share as at 30 November 2023

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings
\$0.791	\$0.821	\$0.875	\$0.52	27

Investment Portfolio Performance[†]

	1 Month	3 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. [^]	Inception (Total Return) [^]
SB2[#]	1.39%	-9.04%	-24.18%	-15.67%	-	-5.79%	-13.92%

[#] 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 Contributors & Detractors

Key Contributors for November 2023			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Ansarada Group Ltd (AND)	+14.3%	+0.9%
2	MedAdvisor Ltd (MDR)	+15.8%	+0.8%
3	Acrow Formwork and Construction Svc Ltd (ACF)	+9.8%	+0.8%

Key Detractors for November 2023			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Bigtincan Holdings Ltd (BTH)	-34.5%	-1.0%
2	Top Shelf International Holdings Ltd (TSI)	-10.0%	-0.9%
3	Nova Eye Medical Ltd (EYE)	-24.3%	-0.5%

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 90%.
- 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 30/11/2023) features:
 - Weighted average FY24-25F Revenue growth of +18%
 - Weighted average FY24-25F EBITDA margin of c.19%
 - Weighted average FY24-25F NPAT margin of c.8%
 - Weighted average FY24-25F P/E multiple of 8.7x

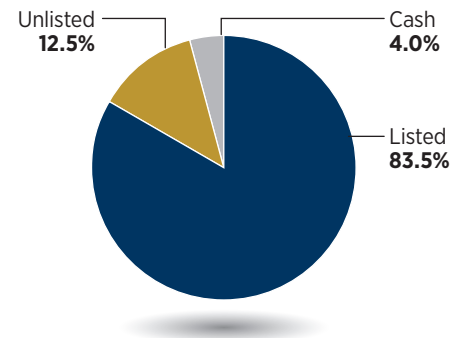
Metrics of the Portfolio*

	FY23A	FY24F	FY25F
Key Ratios			
EV / Revenue (x)	1.7x	1.5x	1.2x
EV / EBITDA (x)	7.3x	6.8x	5.2x
EV / EBIT (x)	7.3x	8.4x	8.9x
P / E (x)	8.7x	9.4x	8.0x
Portfolio Financials			
Revenue Growth (%)	27%	20%	16%
EBITDA Margin (%)	12%	18%	20%
EBIT Margin (%)	5%	10%	14%
NPAT Margin (%)	-1%	7%	9%

* All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 30/11/2023, adjusted for abnormalities.

Portfolio Composition

- The SB2 Portfolio has 22 Listed holdings (83.5% of the total value), five Unlisted holdings (12.5% of the total value) and 4.0% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is -\$143m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 30 November 2023.
- 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.



November 2023 Monthly Update

The relative underperformance of the microcap sector is at 20 year lows and in the view of the Manager, this underperformance is not matched by fundamentals of the underlying companies. Whilst this is frustrating for current investors, the relative valuations and potential upside of the microcap sector is as attractive as it has been for a long time and it is expected patient medium term investors will be rewarded for sticking with the maligned sector.

The past month saw the majority of the portfolio companies AGM's, providing insight into how they have performed so far into FY24 and giving outlook for the remainder of FY24. Overall, the Manager was pleased with the relevant releases of the portfolio companies.

The ASX Emerging Companies Accumulation Index rebounded after a three-month decline, indicating promise for the broader small-cap market. The portfolio's +1.39% rise remains in line with the ASX Emerging Companies Index, averaging around a \$250 million market cap. In contrast, our simulation of the ASX Small Ords revealed that only companies exceeding \$1 billion in market cap made positive contributions over the past year, while sub-\$500 million companies saw a decline of over 50%.

During the month, the top three positive contributors to the portfolio were Ansarada Group Ltd (**AND**), MedAdvisor Ltd (**MDR**), and Acrow Formwork and Construction Services Ltd (**ACF**). The top three key detractors were Bigtincan Holdings Ltd (**BTH**), Top Shelf International Holdings (**TSI**), and Nova Eye Medical Ltd (**EYE**). Note VEEM Ltd (**VEE**) was also a top contributor for the month. The manager took the opportunity to sell down the position off the back of the strong share price rebound.

Ansarada Group Ltd (**AND**) highlighted their success and progress in FY23 and 1Q24 at the recent AGM. The key takeaways from the quarter's highlights include a \$4.4m positive swing in operating cash flow compared to the prior corresponding period and a significant 302% growth in freemium subscribers.

MedAdvisor Ltd (**MDR**) allowed the market to digest its quarterly report, which was inline with the Managers expectations. MDR also strategically evolved its presence in the UK pharmacy market through an investment and license agreement with Charac Limited, UK. MDR will discontinue its current operations in the UK, transferring its pharmacy relationships to the Charac business. This strategic move will unlock future cost-saving benefits for MDR.

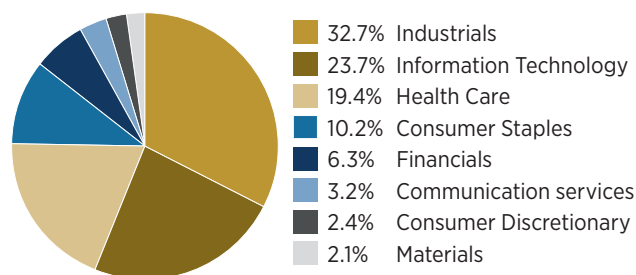
Acrow Formwork and Construction Services Ltd (**ACF**), as mentioned last month, announced an accretive acquisition, entering a share purchase agreement with MI Scaffold Pty Ltd, a leading provider of scaffolding, rigging and access solutions throughout the North and Central Queensland market. The acquisition is to be funded through a newly expanded Westpac debt facility and equity raising via institutional placement, in which the Manager participated in. As a result of the acquisition, ACF has upgraded both its revenue and EBITDA growth guidance to 31% and 38%, respectively.

The key detractor for the month was Bigtincan Holdings Ltd (**BTH**), who officially announced the indicative acquisition proposal has not ended in the the Company receiving a binding proposal. This outcome is obviously disappointing for all shareholders, though the business today on its current metrics, trading at less than 5x underlying EBITDA is fundamentally mispriced.

Top Shelf International Holdings Ltd (**TSI**) at its recent AGM highlighted its latest quarterly improvements vs the pcp. Branded pro forma revenue was up +34% with a +9% growth on group gross margin next of excise, translating to a +44% improvement on EBITDA vs pcp. The quarter was in line with the set out expectations made by the company on its pathway to profitability with the Act of Treason brand also to be launched in the December quarter.

Nova Eye Medical Ltd (**EYE**) received a disappointing finding by 5 of the 7 Medicare Administrative Contractors (**MACS**) in the US. It proposes to reclassify canaloplasty (the procedure completed by the iTrack Advance device) as an "investigational" procedure, resulting in the reimbursement being pulled for this certain procedure. It is not all doom and gloom for EYE despite the current issues faced. The recent AGM highlighted the expansive IP portfolio Nova Eye sits on, which provides the business options to expand indications for use for existing devices as well as release new devices. All 5 MACS who are proposing changes have already extended the time period required to come to a final decision, with major pushback from the industry. US sales growth for the first 4 months of FY24 was at 74% vs pcp. It is really unfortunate timing for EYE with a final decision now expected from the MACS moving December 24 2023 to January 29 2024 and the reaction from EYE to imminently follow.

Listed Portfolio Sector Weights



Top 5 Holdings

1. Top Shelf International Holdings Ltd (ASX:**TSI**)
2. Acrow Formwork and Construction Srvc Ltd (ASX:**ACF**)
3. Probiotec Ltd (ASX:**PBP**)
4. Ansarada Group Ltd (ASX:**AND**)
5. Ai-Media Technologies Ltd (ASX:**AIM**)

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

This information has been prepared by SB2 and Salter Brothers Funds Management Pty Ltd ABN 94 608 295 683, an authorised representative of Salter Brothers Asset Management Pty Ltd ABN 33 119 833 760 (Australian Financial Services Licence 308971) (**Disclosers**).

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