

# Investment Report & NTA Update

12 FEBRUARY 2024

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

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	% Discount to NTA*
\$0.930	\$0.963	\$0.976	\$0.59	39.55%

\* 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>
SB2 <sup>#</sup>	6.39%	19.18%	-8.38%	-6.20%	-	-0.09%	-0.25%

<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 January 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Top Shelf International Holdings Ltd (TSI)	+25.0%	+2.5%
2	Medadvisor Ltd (MDR)	+30.2%	+1.7%
3	Felix Group Holdings Ltd (FLX)	+25.0%	+1.0%

Key Detractors for January 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Ai-Media Technologies Ltd (AIM)	-17.4%	-1.1%
2	Nuheara Ltd (NUH)	-24.3%	-0.6%
3	Alcidion Group Ltd (ALC)	-24.0%	-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 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 31/01/2024) 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 9.1x

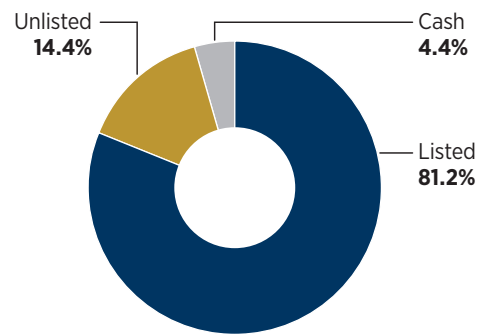
## Metrics of the Listed Portfolio\*\*

	FY23A	FY24F	FY25F
<b>Key Ratios</b>			
EV / Revenue (x)	2.3x	2.0x	1.5x
EV / EBITDA (x)	7.6x	7.5x	5.9x
EV / EBIT (x)	8.1x	9.0x	9.6x
P / E (x)	10.0x	10.2x	8.1x
<b>Portfolio Financials</b>			
Revenue Growth (%)	28%	19%	17%
EBITDA Margin (%)	11%	17%	20%
EBIT Margin (%)	3%	9%	13%
NPAT Margin (%)	-3%	6%	9%

\*\* All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 31/01/2024, adjusted for abnormalities.

## Portfolio Composition

- The SB2 Portfolio has 22 Listed holdings (81.2% of the total value), five Unlisted holdings (14.4% of the total value) and 4.4% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is ~\$156m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 31 January 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.



## January 2024 Monthly Update

In January 2024, the majority of the portfolio companies reported their Q2 quarterly results, showcasing strong performance in both core earnings and cash flow, these results not only met but exceeded our expectations. This positive trend was reflected in the portfolio's performance, with January marking another successful month, achieving a return of +6.39%. The portfolio demonstrated strength across the board, outperforming market trends and significantly surpassing all relevant benchmarks. As of January 31, the discount to post-tax Net Tangible Assets had increased to 39.55%, presenting an intriguing risk vs reward opportunity for investors at these extreme levels.

The most relevant benchmark being the ASX Emerging Companies Accumulation Index which has a median market cap of ~\$222m decreased -5.20% over January. Indicating an outperformance by the portfolio of +11.59%. Our internal simulation of the ASX Small Ords Index 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%. In terms of January, our internal simulation of the ASX Small Ords Index also found that only the companies exceeding \$1 billion in market cap made a positive contribution with the sub \$500m market cap companies seeing a decrease of over 15%.

During the month, the top three positive contributors to the portfolio were Top Shelf International Holdings Ltd (**TSI**), MedAdvisor Ltd (**MDR**) and Felix Group Holdings Ltd (**FLX**). The top three key detractors were Ai-Media Technologies Ltd (**AIM**), Nuheara Ltd (**NUH**) and Alcidion Group Ltd (**ALC**).

Top Shelf International Holdings Ltd (**TSI**) continued on its momentum built into the end of 2023, with the quarterly also released. In January 2024, TSI completed its first product release of its agave brand, Act of Treason sold out on the company's website in a matter of hours. The company has continued to deliver on its commitment to its path to profitability, with the quarter in line with the forecasts made by management. Note the market has reacted negatively to the cash balance, combined with the low liquidity levels seeing the gains earned over the last month 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.

Medadvisor Ltd (**MDR**) released a positive set of quarterly numbers. The key highlights being operating revenue growth of 18% for the half vs pcp, ahead of guidance of 10-15% growth. Cash on hand increased by \$12.7m to \$22.5m over the last three months conveying the strong operating cashflow generation. Over the quarter, management made a strategic investment and collaboration agreement with Charac, UK which solidifies position in the UK pharmacy market unlocking future cost-saving benefits for MDR. The Manager is pleased with the recent progress made by MDR and will meet with management off the back of the audited 1H24 results.

Felix Group Holdings Ltd (**FLX**) announced an improved 2Q24, highlighted by the first internationally domiciled contractor outside of APAC signed, a significant milestone in FLX's targeted and capital-light international expansion strategy. FLX recorded \$4.9m contractor ARR and \$6.8m of group ARR, a 55% and 39% increase respectively vs pcp. The Manager regularly speaks to the management team at FLX and is reassured with how business is being positioned for the future.

In the Month of January 2024, we also revalued our investment in SB SPV No 1 (incorporated in late 2022 to acquire the assets of IP Solutions International (IPSI)) upwards to reflect its current market value. In December 2022, Salter Brothers wrote an initial cornerstone investment in the company, originating and structuring the transaction and actively managing the position with Gregg Taylor, Head of Equities at Salter Brothers, joining the IPSI Board as a Non-Executive Director to unlock key strategic and growth objectives. IPSI provides advanced digital payment and ancillary data security services via a next generation cloud native platform. Founded in 2006, IPSI has transformed from a successful reseller to an advanced Fintech provider, having built and launched its own proprietary platform in 2020. IPSI's current cloud based offerings are EnterpriseSecure and AgentSecure, offered as recurring subscription managed services. In December 2023, the portfolio completed a follow on growth investment in the company, at the same terms as those offered to the Vendor a year earlier in Salter Brothers' initial transaction, which is also reflected in IPSI's current carrying value. This is despite revenue and gross profit being budgeted to grow +c.59% YoY and +c.80% respectively

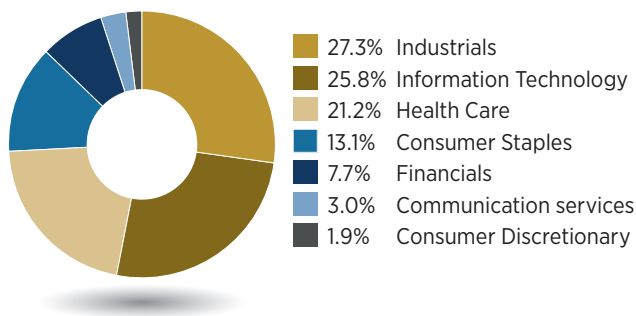
from FY23A to FY24B. We remain highly optimistic in our investment in this unique and scalable fintech opportunity with IPSI set to take advantage of multiple tailwinds in the digital payments processing industry. We look forward to updating the market about further developments in the business in the coming months.

The key detractor for the month was Ai-Media Technologies Ltd (**AIM**), who did not release any material market information over the month of January. The share price decline can be attributed to the current market conditions within the small cap universe, being low levels of liquidity contributing to higher volatility. The fundamentals found within the business are operationally better than they have ever been. Since 2021 AIM has been able to grow EBITDA 200% from -\$9.3m to +\$3.3m through higher margin technology revenue and strategic operational expenditure investment which the business is committed to continue.

Nuheara Ltd (**NUH**) released their quarterly activities report in late January, highlighting the initial in-store sales at Walmart and Target stores. Nuheara showcased its next generation product at the Consumer Electronics Show in Las Vegas (CES 2024), featuring a world leading single chip solution which they have codeveloped with Realtek. NUH will continue to explore original equipment manufacturer opportunities, with the single chip device the catalyst for these conversations. Investors await further sales data and funding solutions for the business.

Alcidion Group Ltd (**ALC**) also released their quarterly update over January, with the key feature including the announcement of signing the South Tees contract extension for an additional 8 years for Miya Precision Electronic Patient Record. The quarter also saw \$5.4m raised via Placement and SPP, in which the Manager participated in to start a substantial position. The raise ensures ALC has maximum flexibility and maintain a strong balance sheet to execute on market opportunities as well as driving revenue growth.

### Listed Portfolio Sector Weights



### Top 5 Holdings

1. Top Shelf International Holdings Ltd (ASX:**TSI**)
2. Probiotec Ltd (ASX:**PBP**)
3. Ozforex Group Ltd (ASX:**OFX**)
4. Medadvisor Ltd (ASX:**MDR**)
5. Acrow Formwork and Construction Svc Ltd (ASX:**ACF**)

### 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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