

Sandon Capital Investments reports a 103% increase in net profit after tax

27 February 2017

Highlights

- **Net profit after tax increased by 103% to \$3.6m for the 6 month period to 31 December 2016**
- **The Board recently declared a fully franked interim dividend of 3.5 cents per share, an increase of 75% on the prior period, yielding 6.3% net, 8.9% grossⁱ**
- **The investment portfolio delivered 16.2%ⁱⁱ for the 6 months to 31 December 2016, outperforming the ASX All Ordinaries Accumulation Index by 6.3%**

Sandon Capital Investments Limited (ASX:SNC) (“SNC” or the “Company”) reported a 101% increase in total revenue to \$6,795,586 (2015: \$3,379,738) and a net profit of \$3,597,977 (2015: \$1,775,024) for the half year ended 31 December 2016. This represents a 103% increase over the prior comparison period. The Company also reported a 7% reduction in corporate costsⁱⁱⁱ.

The Board has previously declared a fully franked interim dividend of 3.5 cents per share. This brings the total dividends declared since listing in December 2013 to 15.5 cents per share.

The Company has continued to build its Profits Appropriation Reserve (PAR) to the equivalent of 10.3 cents per share as at 31 January 2017^{iv}. The franking account stands at approximately 4.7 cents per share at 31 December 2016. This potentially allows for the company to pay fully franked dividends of up to 11 cents per share, subject to the availability of profits.

SNC Chairman Gabriel Radzysinski said: *“The Directors are pleased with this half year result. The company has been able to report:*

- *a 101% increase in revenue, driven by returns on the investment portfolio*
- *a 7% reduction in corporate costs³*
- *a more than doubling of the net profit after tax, leading to a*
- *a 75% increase in the interim dividend.*

Directors are also pleased to observe that total shareholder returns over the same period were approximately 28.8%^v.”

Delivering fully franked dividends

The Board declared on 2 February 2017 a fully franked interim dividend of 3.5 cents per share, which was a 75% increase on the prior interim dividend. The interim dividend will be paid on 31 May 2017 and the shares will trade ex-dividend on 18 May 2017.

SNC shares are currently offering a historic dividend yield of 6.3% (8.9% when grossed up for imputation credits).

The Board anticipates being able to declare a similar final dividend for the year ending 30 June 2017, subject to prudent business practices and the availability of profits. Under this scenario, the prospective yield of SNC shares would increase to 6.7% (9.6% when grossed up for imputation credits).^{vi}

A strong start to 2017

The investment manager foreshadowed a strong start to 2017 its dividend announcement on 2 February 2017 and again in the 31 January 2017 NTA Report.

Since then, Sandon Capital has successfully fought to secure an increase from \$8.85 to \$9.05 in the takeover price being offered by Saputo Inc. for Warrnambool Cheese & Butter Factory Ltd (WCB). Although we believe this offer significantly undervalues WCB shares, the acceptance by 10.2% shareholder Lion Dairy triggers compulsory acquisition, meaning we have no choice but to accept the offer. SNC's average cost for WCB shares is \$7.65, so despite our disappointment, WCB has been a profitable investment. We are waiting patiently as the battle for Macmahon Holdings Ltd (MAH) continues. Specialty Fashion Group Ltd also became a takeover target when an indicative non-binding offer was announced.

Armidale Investment Corporation Ltd, our largest position, reports on Tuesday 28 February. As previously noted, the importance of this result to us is that it will be the first result as a consolidated operating entity, not an investment company. We expect the result will provide shareholders with a greater depth of understanding about the financial performance of the various business units.

Dividend Policy

The SNC dividend policy is to pay a growing stream of fully franked dividends to our shareholders.

Key Dates

Dividend Dates

Announcement date	2 February 2017
Ex-date	18 May 2017
Record date	19 May 2017
Date payable	31 May 2017

There will be no dividend reinvestment plan ("DRP") in respect of the interim dividend.

Portfolio returns

SNC Gross Return ¹	Small Ordinaries Accumulation	All Ordinaries Accumulation
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6 months to 31 December 2016	16.2%	5.8%	9.9%
12 months to 31 December 2016	19.6%	13.2%	11.6%
12 months to 31 January 2017	28.7%	16.4%	17.1%
Return per annum since inception	11.3%	8.0%	8.5%

1. The SNC and index returns are before all fees and expenses and before any taxes, except that SNC returns are after brokerage expenses. The fully franked 2.0 cents per share special dividend paid in Nov 14 is included when calculating SNC's investment performance over the period.

Note, past performance should not be taken as being indicative of future performance.

Contact

If you have any questions regarding the Company or its investments, please call Gabriel Radzynski on 02 8014 1188. If you have questions regarding your shareholding, please contact Link, whose details appear below.

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ⁱ All references to yield assume a closing share price on 24 February 2017 of \$1.04. Yield is calculated using the interim dividend of 3.5 cents per share and FY16 final dividend of 3.0 cents per share. Gross return is net yield grossed up for imputation credits.

ⁱⁱ Gross Investment performance is before management and performance fees, corporate expenses and tax paid but after brokerage.

ⁱⁱⁱ These are total expenses excluding investment management fees and brokerage.

^{iv} This figure is before the payment of the 3.5 cents per share interim dividend.

^v TSR for the 6 months to 31 December 2016. Assumes dividends were reinvested by way of on market purchases as the DRP was not active. Source: Bloomberg

^{vi} Assumes share price of \$1.04.