

A low-angle, upward-looking perspective of several modern skyscrapers with glass facades, reaching towards a blue sky with scattered white clouds. The buildings are rendered in a monochromatic blue tone, creating a sense of height and architectural grandeur.

GC1 WEBINAR MARCH 2018

GLENNON SMALL COMPANIES LTD

GLENNON.COM.AU



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TODAY'S AGENDA

Market Update

What is happening in the Australian small cap market?

Portfolio Insights

How does the GC1 Portfolio look in last 6 months?

LIC Outlook

How does the GC1 Portfolio look like in 2018?

GC1 Portfolio Characteristics



| Portfolio Characteristics | As at 28/02/2018 |
|---------------------------|---|
| Number of stocks | 31 |
| Top 5 positions | 1. TOX FREE SOLUTIONS LTD 2. EMECO HOLDINGS LTD 3. CML GROUP LTD 4. MACMAHON HOLDINGS LTD 5. ALLIANCE AVIATION SERVICES |
| Cash weight | 3.00% |
| Median market cap | \$215m |
| Largest market cap | A2 Milk \$9,300m |
| Smallest market cap | GO2 People Ltd \$7m |
| Microcap weight | 21% |



NTA, Share price & Discount

*Share price**

\$ 0.97

** As at 19 March 2018*

Pre-tax NTA

\$1.16

** As at 28 February 2018*

Discount to NTA

16.4%

Share Price, Dividends & Yield



*Profit Reserve/Share**

\$0.16

** As at 28 February 2018*

Annual Dividends

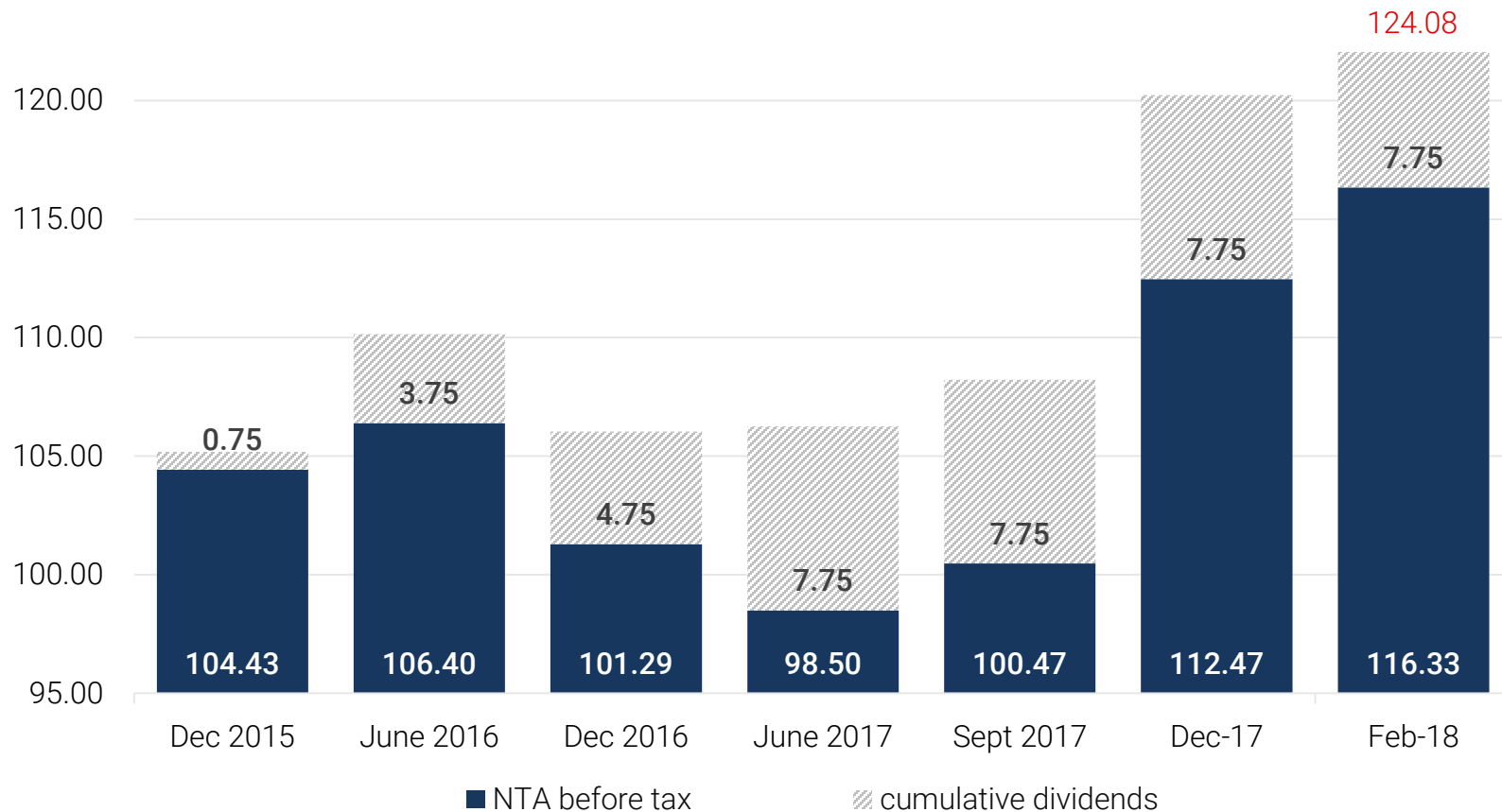
4.0c

Yield

4.12%

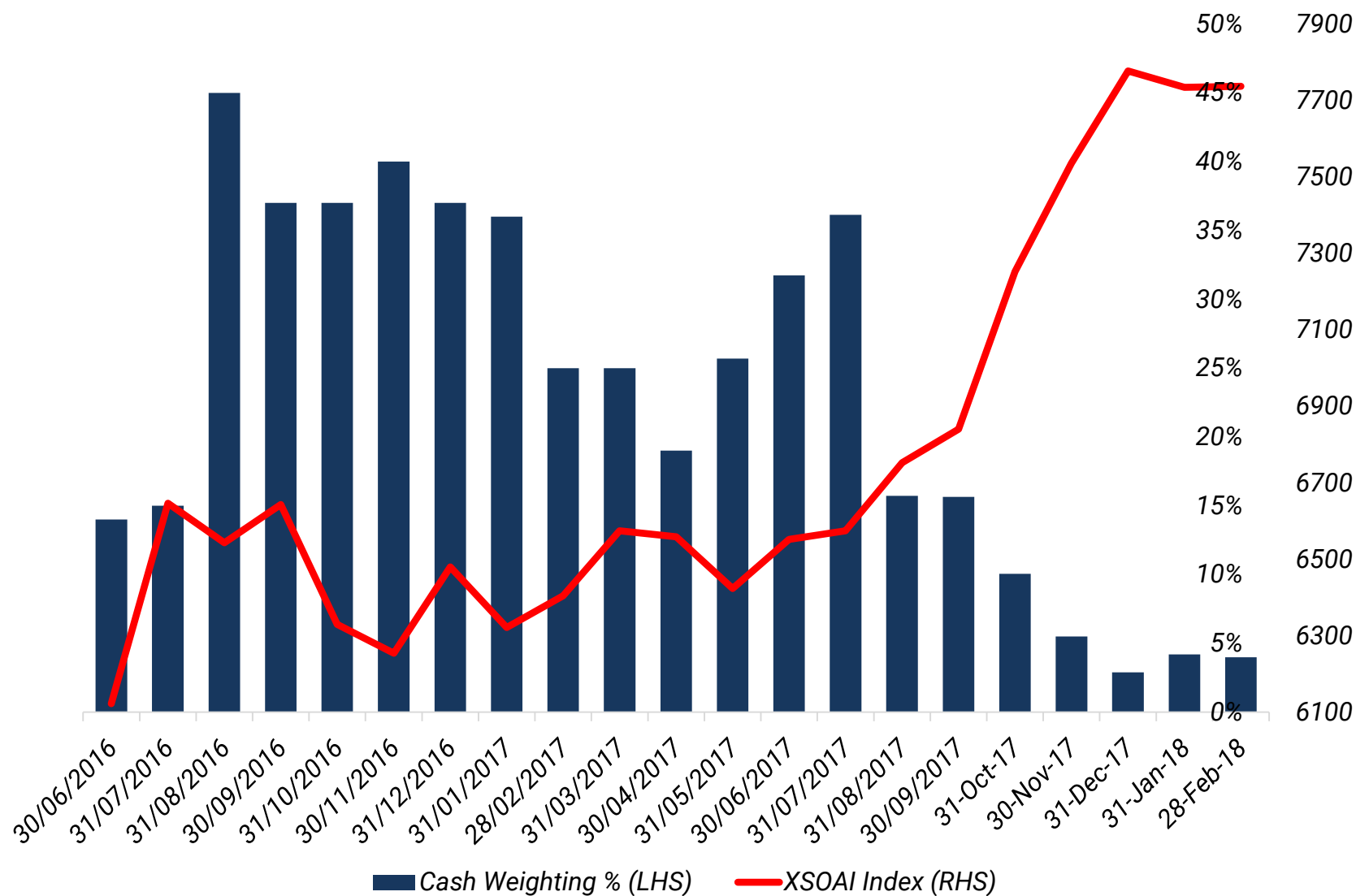
** As at 19 March 2018*

NTA + Dividends Paid





GC1 Cash Weighting %



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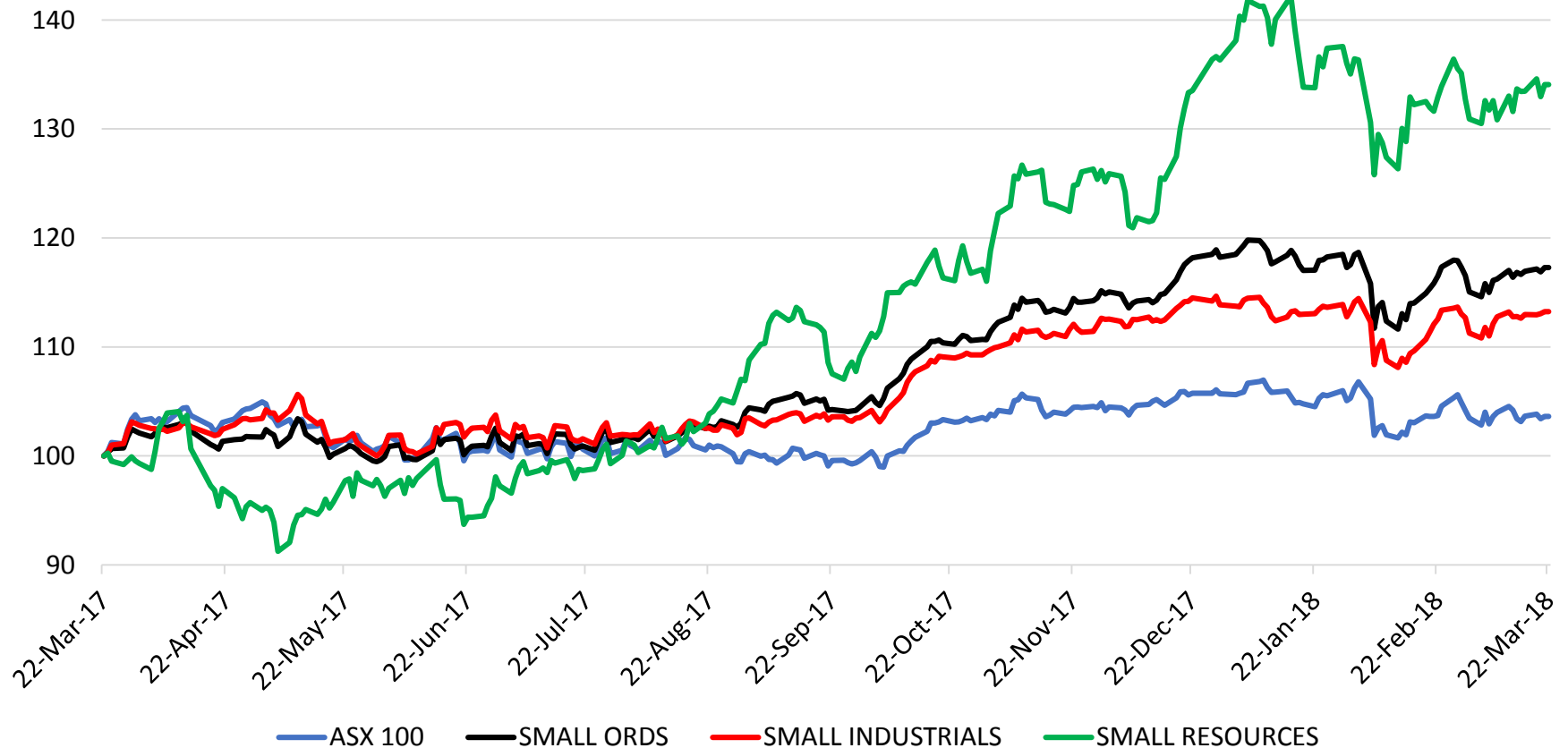
MARKET UPDATE

WHAT IS HAPPENING IN SMALL CAPS?

The Australian Market in 2017



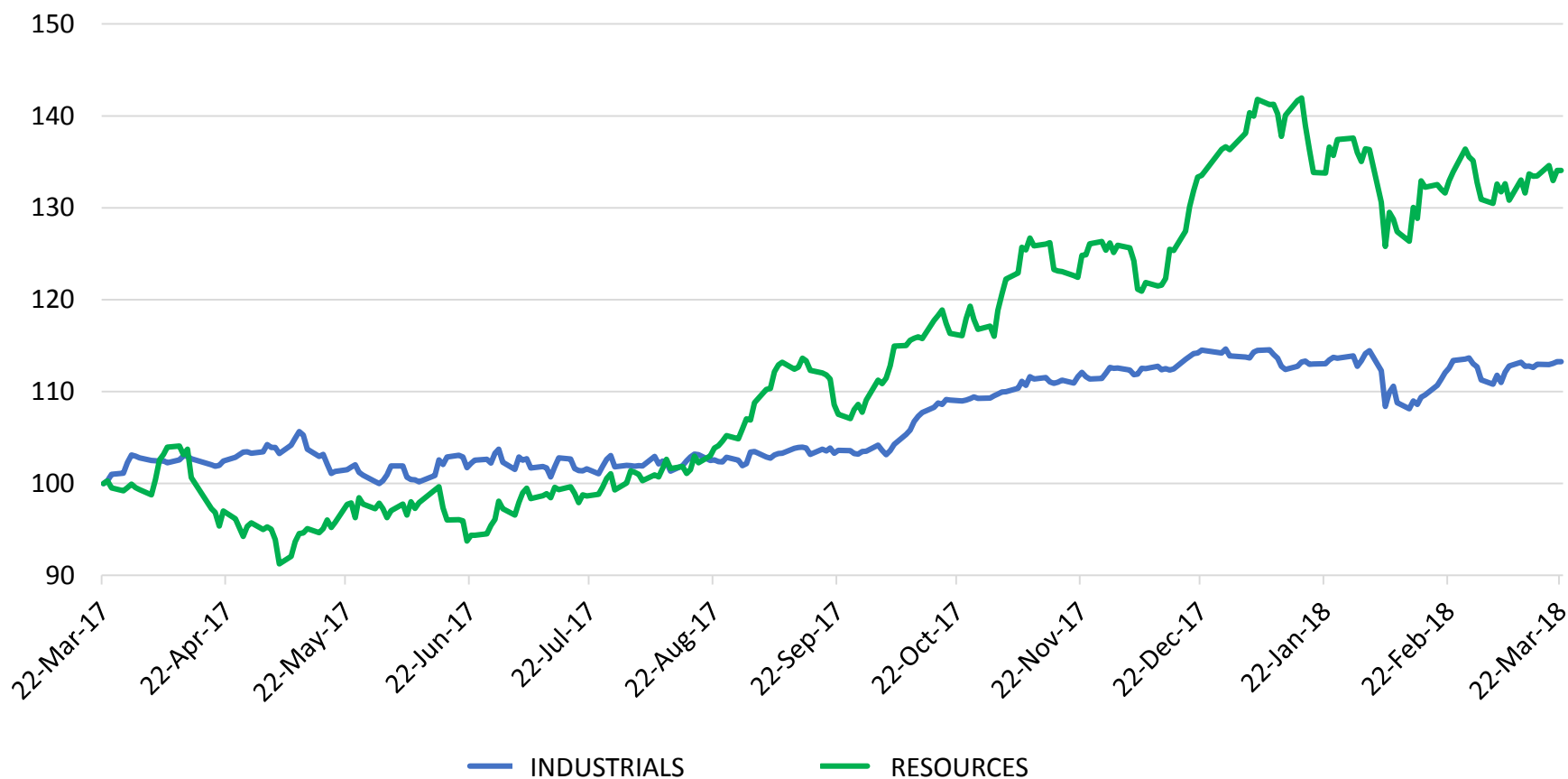
COMPARISON OF INDEX



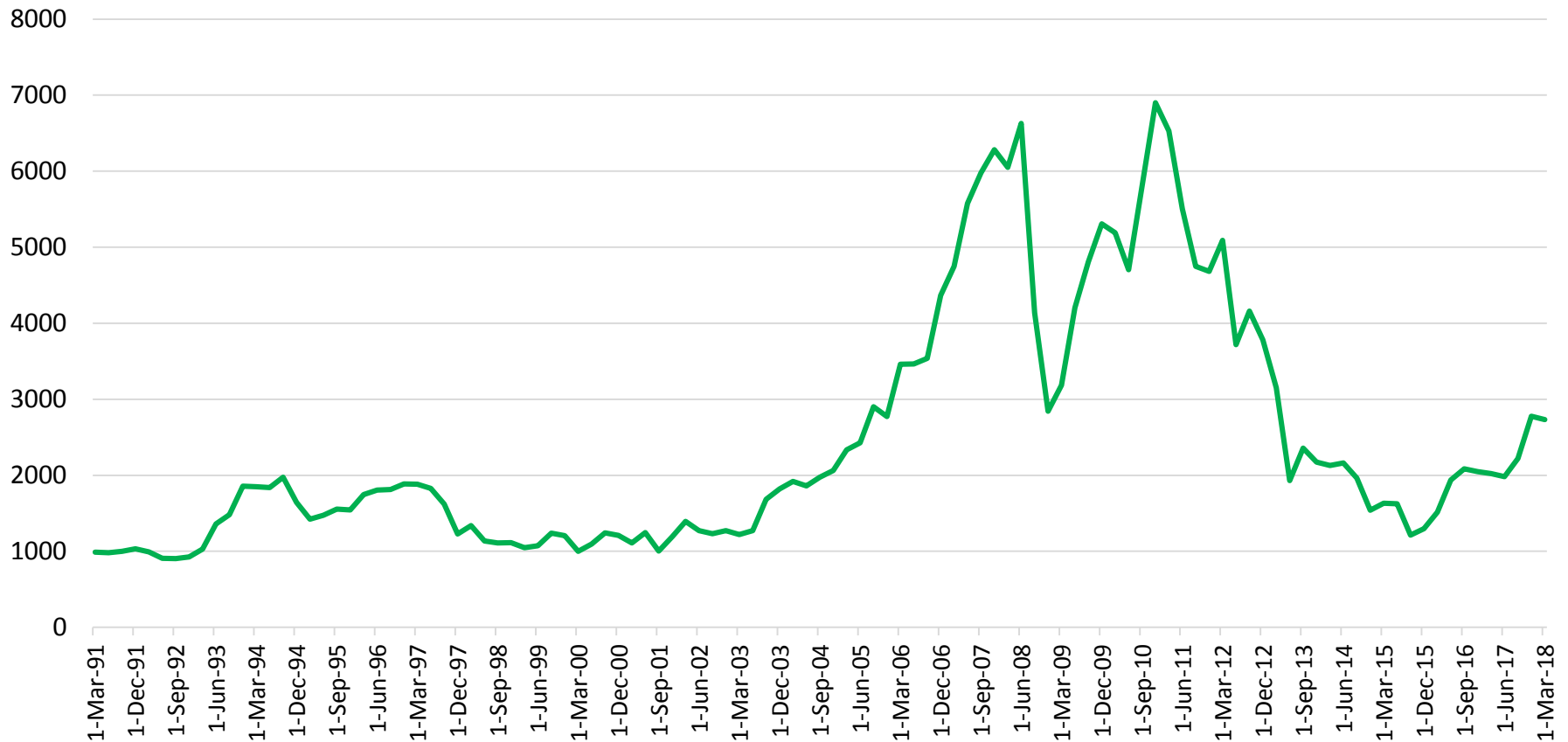
Small Caps in 2017



SMALL RESOURCES & INDUSTRIALS



Small Resources – 30 YEARS



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SMALL CAP 2017



Small Caps in 2017

- Active management in small caps is critical
- There were many disasters
 - Domestic Consumer:
 - Retail Food Group
 - Traditional Media
 - Amazon
 - Slater & Gordon
 - Vocus
 - Isentia
 - BigUn
 - GetSwift

Con't



Small Caps in 2017 Con't

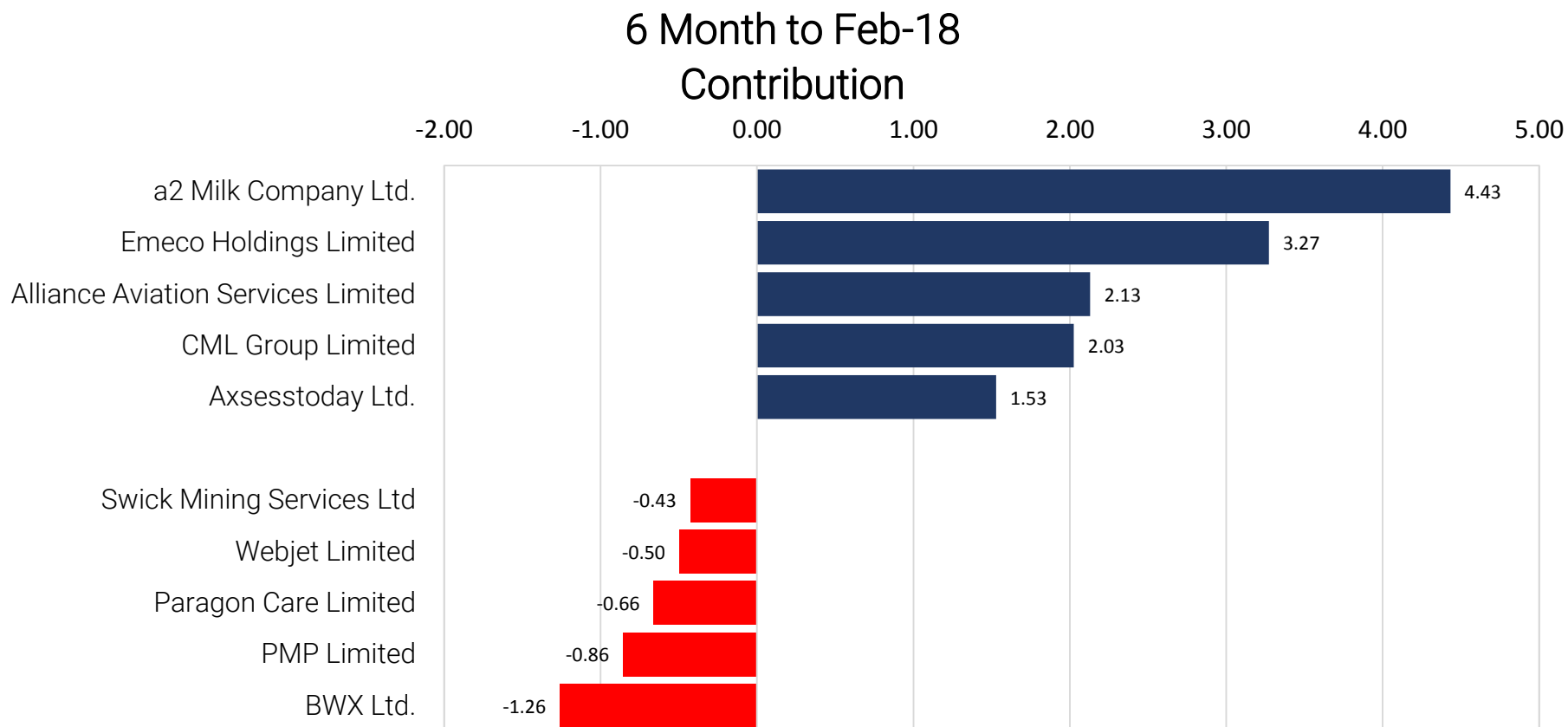
- Also many opportunities to deliver returns in 2017
 - China -Milk, A2m, Bubs, Synlait
 - Small resources – gold, lithium, cobalt
 - Mining service – East coast infrastructure, WA Recovery
- Some drivers are set to continue into 2018
 - Others may continue but are already priced into stocks
 - While others may cease or reverse
- Provides opportunity to outperform



STOCK CONTRIBUTION



Top 5 Contributors & Detractors



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STOCK OVERVIEW - HIGH CONVICTION

Toxfree Solutions Ltd



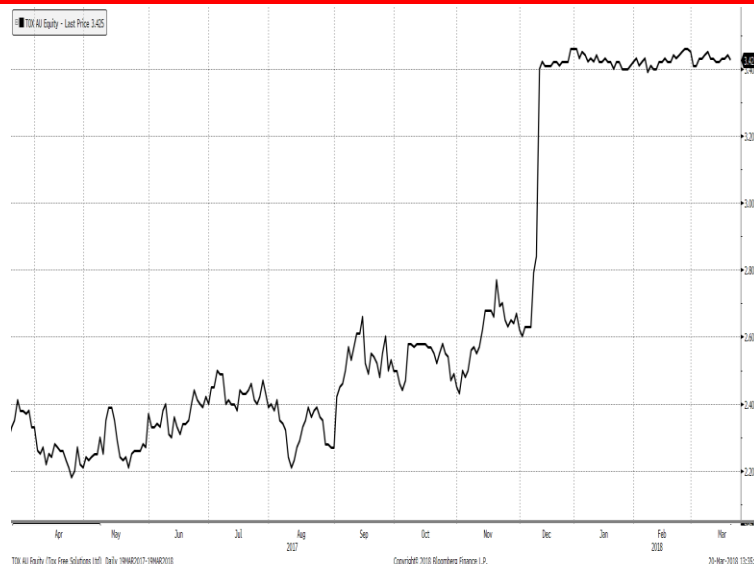
Valuation Metrics \$3.44

| | |
|-------------------|------|
| M.Cap (\$m) | 669 |
| EV (\$m) | 831 |
| Profit FY19 (\$m) | 30.0 |
| PE | 22.3 |
| EV/EBITDA | 8.6 |

Earnings Drivers

- Under takeover
- Fits with Glennon's franked credit strategy – will work 10% of the portfolio towards strategies that enable the payment of franked dividends to GC1 shareholders.

Share Price Chart



Key Risks

- No downside

Emeco Holdings Ltd



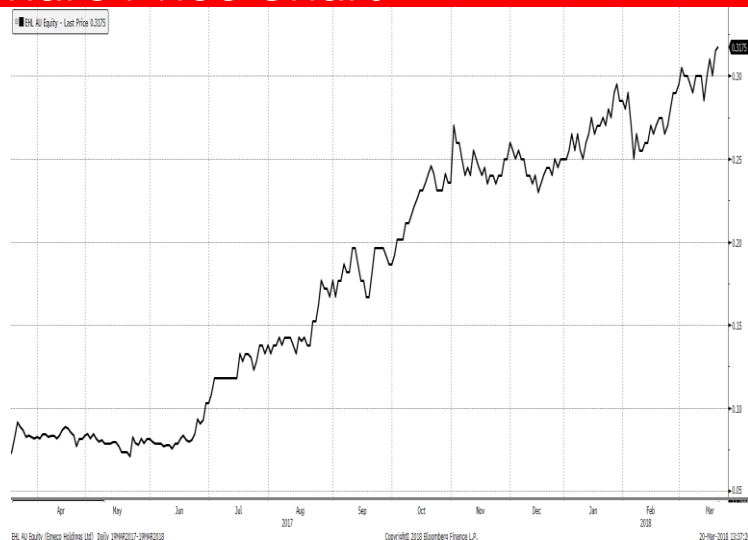
Valuation Metrics \$0.31

| | |
|-------------------|------|
| M.Cap (\$m) | 873 |
| EV (\$m) | 1150 |
| Profit FY19 (\$m) | 64 |
| PE (x) | 13.5 |
| EV/EBITDA (x) | 5.7 |

Earnings Drivers

- Recapitalisation and merger with its largest competitors, Andy's Earthmoving and Orionstone, bringing a younger and more diversified fleet and a strong position in QLD.
- Acquisition of Force Equipment adds a much needed maintenance capability.
- Domestic only fleet of 800 units – exited offshore operations.
- WA recovery.
- Replacing and reducing expensive debt over the next two years.

Share Price Chart



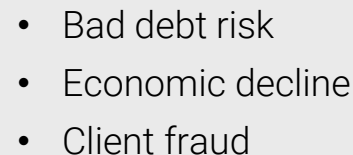
Key Risks

- Project risk
- Coal is 55% of domestic earnings
- WA mining outlook improving iron ore, coal, gold.
- Balance sheet geared to utilisation

Earnings Drivers

- More nimble to market than it's main factoring competitor, Scottish Pacific. Winning share.
- Acquisition of Thorn Group's debtor finance group for 1x ebitda
- Entry into equipment finance – primarily in the transport sector (like Axsesstoday), often lending on equipment already owned.

Key Risk



McMahon Holding Ltd



Valuation Metrics \$0.23

| | |
|-------------------|------|
| M.Cap (\$m) | 485 |
| EV (\$m) | 457 |
| Profit FY19 (\$m) | 64 |
| PE (x) | 7.7 |
| EV/EBITDA (x) | 2.64 |

Earnings Drivers

- Telfer reduction in loss, expansion & revenue uplift
- Commencing new sizeable contracts in Indonesia (BatuHijau) and Queensland (Byerwen)
- Contract mining sector improvement
- Small entry into civil works with TMM Group acquisition
- Strong cashflow - heading toward cash balance sheet FY19

Share Price Chart



Key Risks

- Commodity prices
- Project risk
- Country risks
- Cost over-runs

Alliance Aviation Limited



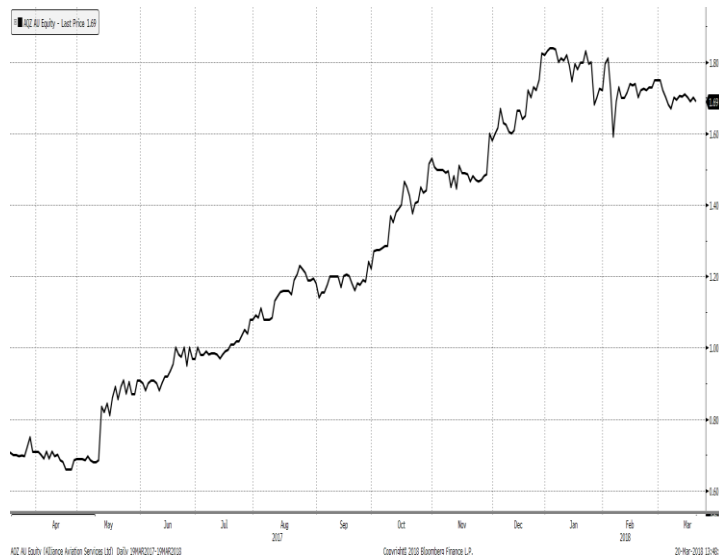
Valuation Metrics \$1.70

| | |
|-------------------|-----|
| M.Cap (\$m) | 209 |
| EV (\$m) | 245 |
| Profit FY19 (\$m) | 27 |
| PE | 7.7 |
| EV/EBITDA | 3.6 |

Earnings Drivers

- Virgin Alliance
- Increased utilisation and expanded fleet
- Spare parts sales
- Low initial cost of fleet
- Mining services revival

Share Price Chart



Key Risks

- Fuel Prices
- Access to planes
- Accidents
- Capacity
- Pricing on regional routes

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INVESTMENT STYLE

Investment Style



- Style Agnostic – adaptive to market conditions, opportunities and themes;
- Small Ordinaries Benchmark;
- 10% of the portfolio utilised in the pursuit of franking credit;
- 2 portfolio managers – combined 50 years of specialist small companies experience ... We've seen it all!

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INVESTMENT THEMES

Investment Themes



ROLL UPS

DISRUPTION

OWNER-OPERATORS

DEEP VALUE

MICROCAPS



Disruption



Examples



Owner-Operators



Examples



Touchet family 53%



FIDUCIAN
Financial Services
INTEGRITY • TRUST • EXPERTISE

Indy Singh 33%



Anthony Boucaut 30%



Examples





Examples

CML Group

\$105m now

\$40m when bought

M.Cap \$18.5m when
bought

M.Cap \$35.6m now



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SHAREHOLDER COMMUNICATION

GLENNON WEEKLY NEWSLETTER



March 05, 2016

National Veterinary Care Limited

- We met with management of National Veterinary Care Limited last week, following the release of their first results announcement.
- Glennon Capital were early investors in Greencross and it would be interesting to have a look at this company to emulate some of the success of Greencross.
- Watch our video to find out more about NVL.

[Watch now](#)



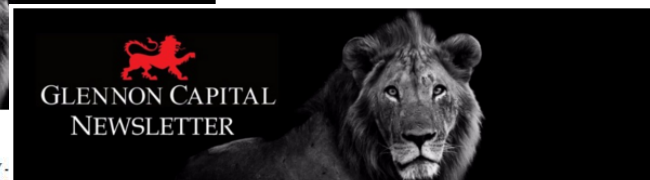
February 20, 2016

Insight | Paragon Care (ASX:PGC)

February 19, 2016 | By [Glennon Capital](#)

- Paragon is a distributor of consumables and capital equipment into the Australian healthcare market. The business is consolidating a very fragmented market.
- To watch our video on Paragon, click on the link below

[Watch now](#)



January 30, 2016

Insight | Silver Chef Limited (ASX:SIV)

January 29, 2016 | By [Glennon Capital](#)



- Silver Chef Limited (ASX:SIV) is a small company that operates an equipment financing business predominantly for the food industry. The business is 30 years old and has been listed since 2005. In the past few years the company has expanded offshore and is starting to get good growth in Canada and New Zealand.
- The offering has also been expanded outside the food industry through the 'GoGetta' brand, which offers small loans to businesses, predominantly for equipment. The main benefit for Silver Chef clients is that financing allows them to avoid the need to make large up-front investments.

[Watch our video to learn more](#)



REGISTER AT GLENNON.COM.AU

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YOUR QUESTIONS

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