



Spheria Emerging Companies  
Limited

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ACN 621 402 588

28 February 2019

Company Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Shareholder,

**Conference call reminder and presentation on half-year results**

Please join us on Friday 1 March 2019 from 11:00am – 11:30am (Sydney time) for a conference call to hear an update on the Company's results and investment portfolio from Director of the Company, Adrian Whittingham and Portfolio Managers of Spheria Asset Management (the Manager), Matthew Booker and Marcus Burns.

**Dial in details:**

**Within Australia: 1300 254 398**

**Outside Australia: +613 9034 4181**

The presentation slides are available below and will also be made available on our website before the start of the conference call.

Yours sincerely,

**Calvin Kwok**  
Company Secretary

# Spheria Emerging Companies Limited

ASX : SEC

Half-Year Results and Portfolio Update

# Agenda

1. SEC Company update
2. Portfolio update
3. Questions

# Spheria Emerging Companies (ASX: SEC)

## Half-year results FY2019

1H FY19 loss	Portfolio performance <sup>1</sup>	Company performance <sup>2</sup>
<b>\$9.2m</b>	<b>-10.5%</b>	<b>-10.7%</b> (+2.0% to benchmark)

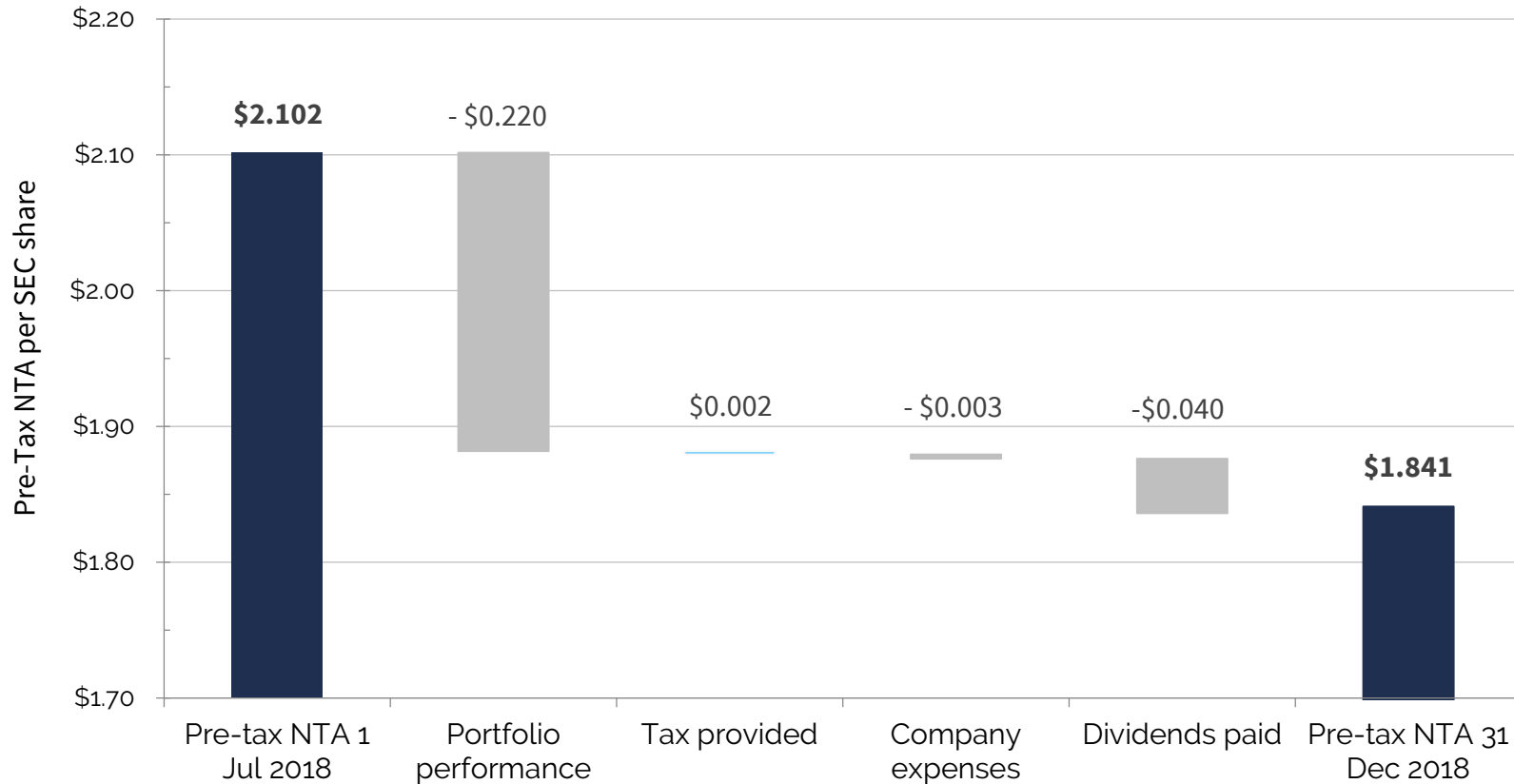
	Dividend	Annualised yield*
<b>Cash</b>	<b>2.0c</b>	<b>3.5%</b>
<b>Franking (100%)</b>	<b>0.9c</b>	
<b>Grossed-up</b>	<b>2.9c</b>	<b>5.0%</b>

\* Based on share price as at 18 February 2019 of \$1.72 (when combined with the final FY18 dividend of 4.0cps)

<sup>1</sup> Shows how the portfolio, for which the Manager is responsible, has performed after deducting management fees, costs and taxes and performance fees (if applicable).

<sup>2</sup> Calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains, assuming the re-investment of any dividends paid by the Company.

# NTA breakdown for 1HFY19



Source: Spheria Asset Management

# Dividend details

## Interim dividend

Amount	Dividend ex-date	Record date	Payment date
2.0 cents per share	5 March 2019	6 March 2019	20 March 2019

- Shares outstanding 66,337,546<sup>1</sup>
- Price \$1.72<sup>1</sup>
- Market capitalisation \$114.1m<sup>1</sup>

The Company aims to pay fully franked dividends from the portfolio income at least annually, subject to available profits, cash flow and franking credits.

<sup>1</sup>Based on share price as at 18 February 2019 of \$1.72

# Performance History

## SEC Portfolio performance

<i>Net Performance as at 31st Dec 2018</i>					
Period	3 month	6 month	1 year	Since Inception	Inception Date
SEC Mandate performance	-13.2%	-11.0%	-7.2%	-3.8%	30/11/2017
Benchmark	-13.7%	-12.7%	-8.7%	-5.5%	
<b>Outperformance</b>	<b>+0.5%</b>	<b>+1.8%</b>	<b>+1.5%</b>	<b>+1.7%</b>	

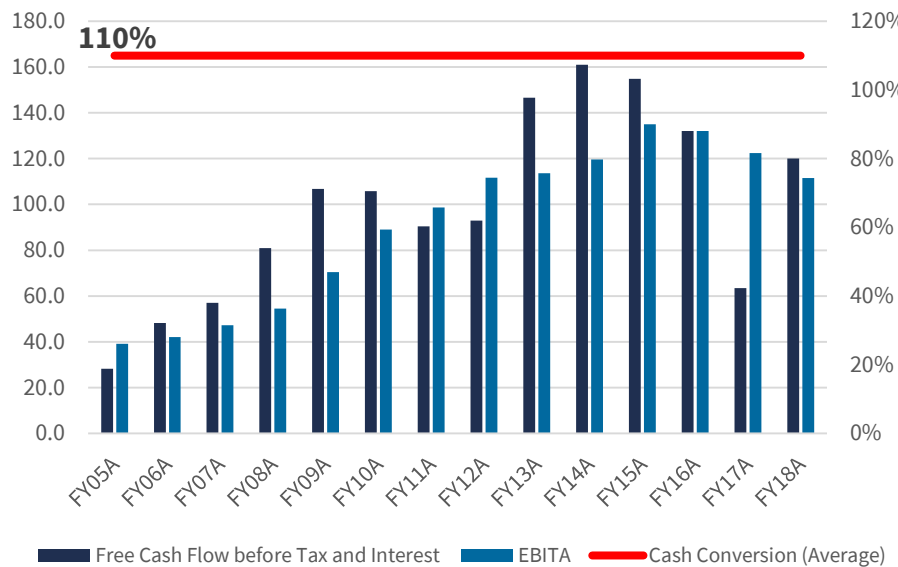
## SEC NTA performance

<i>SEC Limited Performance 31st Dec 2018</i>					
Period	3 month	6 month	1 year	Since Inception	Inception Date
Company performance	-12.7%	-10.7%	-9.1%	-6.2%	30/11/2017
Benchmark	-13.7%	-12.7%	-8.7%	-5.5%	

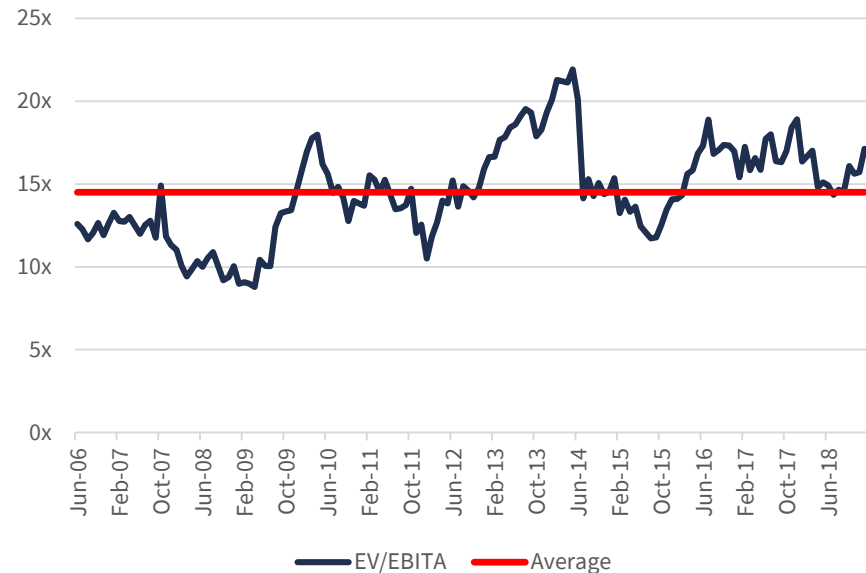
Company's performance is calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains.

The Benchmark is pre-tax, S&P/ASX Small Ordinaries Accumulation Index

## Cash Flow Conversion



## EV/EBITA



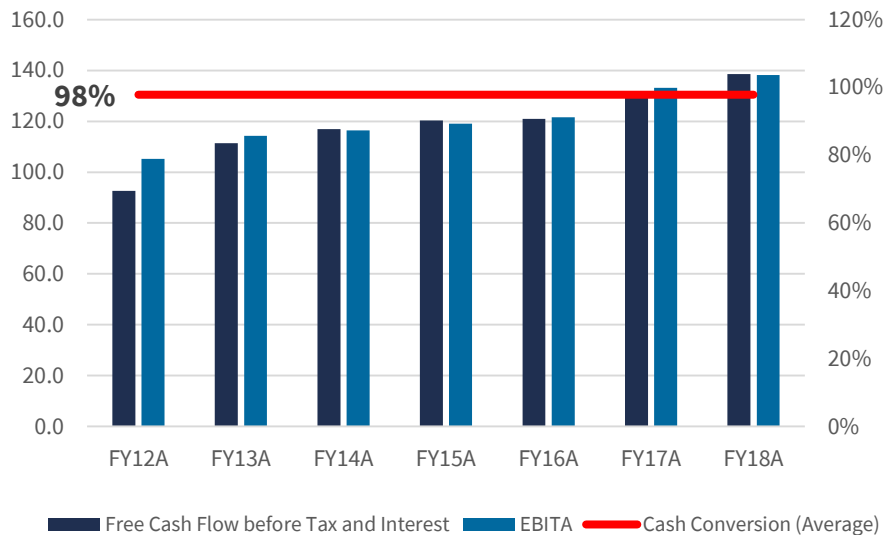
- Largest global operator of University Pathway programs
- Takeover proposal raised from \$5.50 to \$5.825 per share
- Recommended in the absence of superior offer

Source: Morningstar data and Spheria estimates

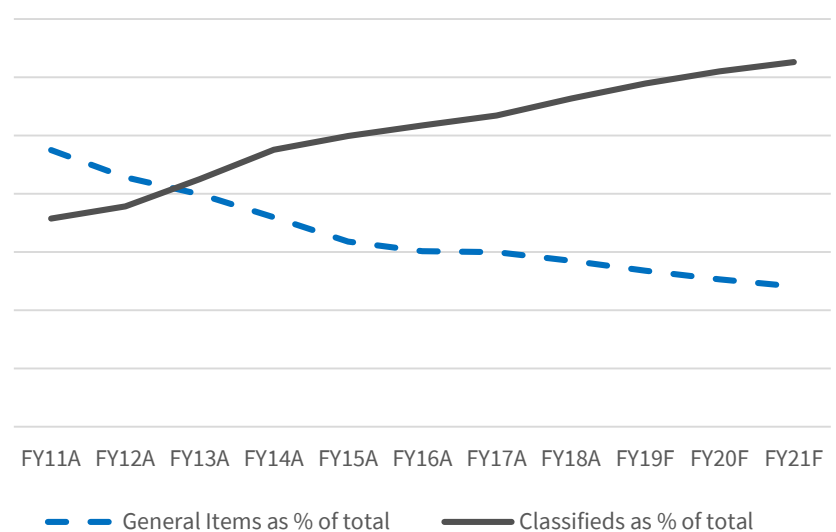


(TME.NZ)

### Cash Flow Conversion



### TME : Growth in Classifieds

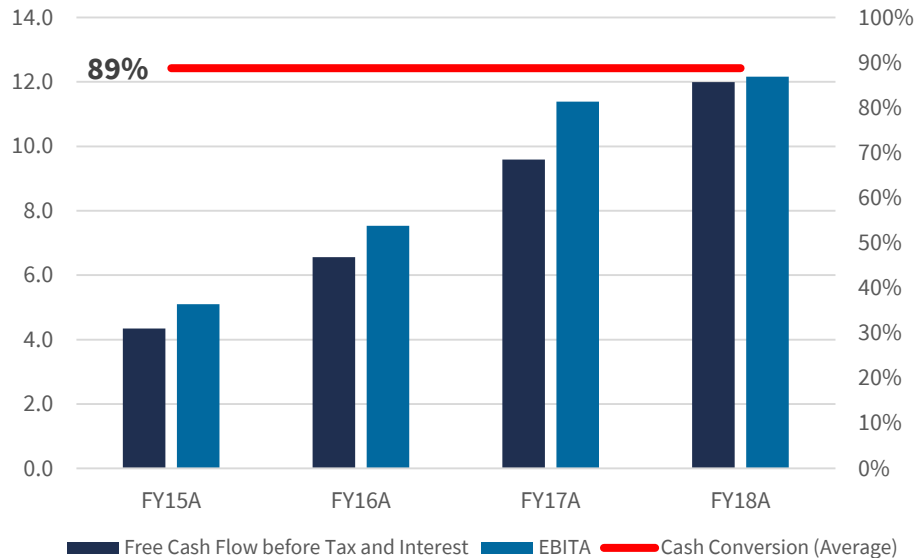


- Sales growth had been accelerating in Classifieds – particularly Property vertical
- Overall growth rate re-accelerating as Classifieds growing proportion of total revenue.
- Recommended takeover proposal from APAX Partners at NZ\$6.45/ share in Dec 2018.

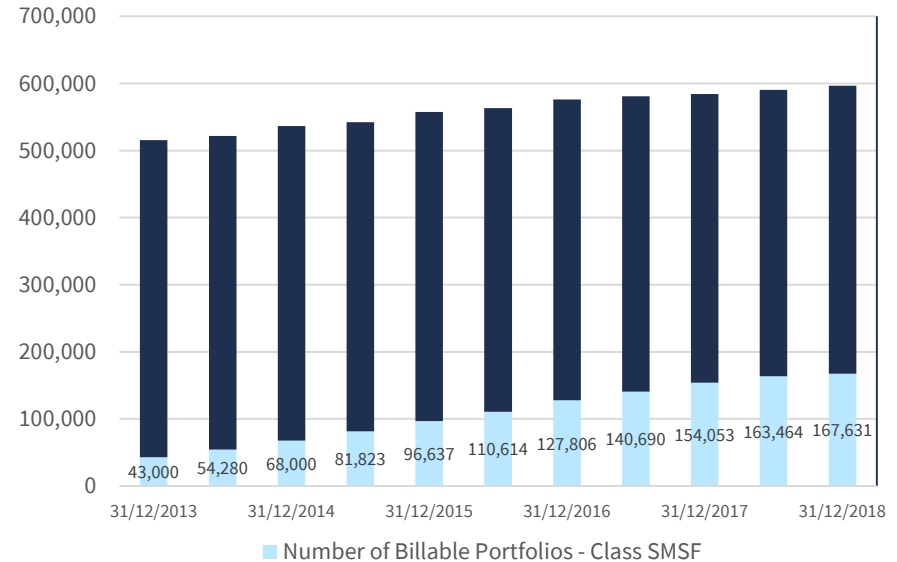
Source: Morningstar, Spheria, Trade Me company presentations

**Class****(CL1.ASX)**

### Cash Flow Conversion



### Number of SMSF Accounts



- Market leading SMSF cloud software provider with 28% market share
- Adjacent growth into family trusts, high customer retention (99.2%)
- Strongly cash generative, net cash balance sheet (\$20m on balance sheet)

Source: Morningstar, Spheria, Class company presentations

# Highlights

Valuations inexpensive in microcaps

Spheria smaller companies fund beneficiary of M&A activity

- cash flow generative businesses;
- balance sheets strong; *and*
- most importantly valuations attractive

In medium term, economically sensitive stocks starting to offer value

# Company positions

## Spheria Emerging Companies as at 31 December 2018

Ticker	Name	% Portfolio
NVT	Navitas Limited	6.3%
BGA	Bega Cheese Ltd	5.6%
FBU	Fletcher Building	5.4%
PTM	Platinum Asset	4.7%
TME	Trade Me Group	4.7%
A2B	A2B Australia Ltd	4.6%
TNE	Technology One	4.5%
MND	Monadelphous Group	4.4%
CL1	Class Limited	4.3%
HT1	Ht&E Limited	4.2%
<b>Top 10</b>		<b>48.7%</b>

Source: Spheria, IRESS as at 31 December 2018

# Experienced, cohesive investment team

## **Matthew Booker**

Portfolio Manager

Over 20 years industry experience.  
Significant alpha generation managing  
Small Companies funds at Spheria,  
Schroders and Concord Capital.



## **Marcus Burns**

Portfolio Manager

Over 20 years industry experience of  
which 7 years in London.  
Significant alpha generation Australian  
small caps at Spheria and Schroders.

## **Adam Lund**

Analyst / Trader

Over 11 years experience in small and  
microcaps at Spheria and Schroders.  
Trading and research responsibilities.



## **Olivier Coulon**

Analyst

Over 14 years experience in small and  
microcaps at Spheria and Pental  
Group. Analysing and recommending  
positions.

## **Allister Doecke**

Trader

Over 10 years experience in equities  
dealing at Spheria and Taylor Collison.  
Trading responsibilities.



## **Gino Rossi**

Analyst

Over 16 years experience in small,  
microcaps and global at Spheria,  
Arnhem Investment Management,  
Citigroup and Renaissance AM.

# Questions



# LIC Disclaimer

Spheria Emerging Companies Limited ACN 621 402 588 (SEC)

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