

# RYDER CAPITAL LIMITED

22 October 2019

Market Announcements Platform  
Australia Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

## **2019 Annual General Meeting – Chairman’s Address**

Please find attached the Chairman’s address from Ryder Capital Limited’s Annual General Meeting held earlier today.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'D Bottomley', with a stylized flourish at the end.

David Bottomley  
Director and Company Secretary

# RYDER CAPITAL LIMITED

## 2019 Annual General Meeting – Chairman’s Address

On behalf of the Board, I would like to welcome all Ryder Capital Limited (Ryder or Company) shareholders and other visitors present to our fourth Annual General Meeting. As we have a quorum, I now declare the Annual General Meeting open.

My name is Peter Constable and I am Chairman of Ryder. Our Board present here today consists of David Bottomley, Executive Director and Ray Kellerman, Non-Executive Director.

Ryder has completed another successful year, its fourth full financial year since being established in September 2015. Portfolio performance remained positive but lower than previous years resulting in gross portfolio performance of 5.78% and a net undiluted pre-tax Net Tangible Asset (NTA) return of 3.84%. Despite being only a measure of the short term, these returns were less than the Company’s performance benchmark and that of the Company’s medium to longer-term return goals after what was a difficult year investing in smaller capitalised stocks.

It is important to understand that our longer-term investment return targets will from time to time be interrupted by shorter periods of lower returns, such as the one just completed.

Gross assets grew strongly to \$98.9m at 30 September, up 42% from \$69.6m at 30 September 2018. Driving this growth was the exercise of 22.5m of the Company’s Initial Options (RYDO) at \$1.25 per share adding \$28.1m to the Company’s capital. Balancing this the Company bought back 3.3m ordinary shares for an outlay of \$4m equating to an average buyback price of \$1.21 per share, providing both accretion to the Company’s NTA and lessening the dilutionary impact of option capital inflows. In accordance with the terms of the Company’s 2015 Prospectus, the Company has issued a total of 26.7m \$1.50 strike December 2021 expiry Secondary Options (RYDOA) as a function of the exercise of the equivalent amount of RYDO options during FY18 and FY19.

As in prior years, I would like to take this opportunity to reinforce what our investment strategy and objectives are.

Our strategy is to build and manage a concentrated portfolio of between 10 and 20 securities with a bias towards micro and small caps. We focus on both value (including deep value and out of favour businesses) together with growth opportunities where we see a material discount to our assessment of intrinsic value. We take a long-term view requiring conviction, patience and occasionally courage in our conviction.

# RYDER CAPITAL LIMITED

Our investment objective is to provide shareholders with consistent long-term capital growth above our benchmark which is the RBA Cash Rate plus 4.25%. In this year's Annual Report, we have again provided risk and return commentary together with additional statistical analysis around investment returns and associated risk measures that provide shareholders with a more complete insight into Ryder's performance.

## Results for the year ended 30 June 2019

At 30 June 2019, approximately 75.5% of the Company's \$90m of capital was deployed in equities and 24.5% held in cash and cash equivalents.

In reporting the Company's investment performance for FY19, it is important to account for the material option dilution that occurred during the year and as such we focus on measuring the Company's pre-tax undiluted NTA period to period, adjusted for dividends which resulted in a gain of 3.84%.

We will continue to report both the diluted and undiluted pre-tax returns for shareholders via the monthly ASX NTA release to facilitate a consistent review of performance over all time periods, including those that are affected by the dilutionary impact of the exercise of in-the-money options.

## Investment Performance

Ryder's NTA performance is reported monthly. As at 30 September 2019, Ryder had just completed its fourth anniversary as a Listed Investment Company and continues to meaningfully outperform its benchmark across all time frames, after all fees and expenses as summarised below:

	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (% per annum)	Since Inception <sup>(2)</sup> (% per annum)
<b>Gross Portfolio Performance</b>	<b>13.47</b>	<b>21.28</b>	<b>18.65</b>	<b>23.68</b>	<b>21.81</b>
<b>Pre-tax Undiluted NTA Return<sup>(3)</sup></b>	<b>10.62</b>	<b>17.87</b>	<b>14.22</b>	<b>18.24</b>	<b>16.78</b>
<b>Pre-tax NTA Return<sup>(1)</sup></b>	<b>10.73</b>	<b>18.17</b>	<b>10.38</b>	<b>15.21</b>	<b>14.53</b>
<b>Hurdle (RBA Cash Rate + 4.25%)</b>	<b>1.30</b>	<b>2.70</b>	<b>5.61</b>	<b>5.70</b>	<b>5.80</b>
<b>Excess Return</b>	<b>9.32</b>	<b>15.17</b>	<b>8.61</b>	<b>12.54</b>	<b>10.98</b>
Pre-tax Undiluted NTA Return <sup>(3)</sup> - (RBA Cash Rate + 4.25%) <sup>(4)</sup>					

1. Unaudited investment performance less all costs of operating Ryder Capital Ltd including investment management and performance fees and ignoring the dilutionary impact of unexercised outstanding RYDOA options.

2. Inception Date is 22 September 2015.

3. Pre-tax NTA return adjusted for the dilution of the exercised 26.7m RYDO options.

4. Excess Return will be calculated with reference to undiluted NTA return as of February 2019 to better reflect underlying fund performance consistent with the Manager's performance measurement.

Level 25, 88 Phillip Street SYDNEY NSW 2000 | [www.rydercapital.com.au](http://www.rydercapital.com.au)

T +61 (2) 8211 2791 F +61 (2) 8211 0555 | ABN 74 606 695 854

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## **Dividends**

Following the Company's continued positive investment performance, large realised capital gains flowing through to the profits reserve together with a strong start and outlook to FY20, the Board declared a 3.0 cent fully franked final dividend (+50% on FY18), bringing the full year FY19 dividend to 4.0 cents per share fully franked. It is the Board's intention to pay regular and subject to investment performance, increasing dividends over time.

The Company's share price was unchanged during the year closing at \$1.25. Inclusive of the 3.0 cents in fully franked dividends paid during the year, this resulted in a total shareholder return of 2.4%, compared to the undiluted pre-tax return of 3.84%. Over the year, the share price reflected a relatively stable discount to the fully diluted NTA for the period.

Previously I have said that over time, the Company's discount to NTA will narrow based on consistent medium to longer term risk-adjusted outperformance of not only the Company's benchmarks, but also that of competing Managers, a more stable less dilutive capital structure post the initial option expiry on 10 December 2018 and gross assets surpassing \$100m. I can report that we are making sound progress on all these fronts and have recently benefitted from increased interest in our Company from new and prospective shareholders.

## **Outlook**

The Company's portfolio started this financial year strongly, recording a pre-tax return to NTA of 10.62% for the quarter ending 30 September. Despite this strong start, the portfolio continues to have exposure to several deep value situations where we have built significant exposures that are capable of making material contributions to NTA going forward. As always, we must ensure our performing investments are not unduly weighed down by poor stock selection.

Our unlisted investment in Updater Inc. (previously listed on ASX, now a private Delaware incorporated company) continues to make sound operational progress whilst pursuing several value accretive initiatives including a funding round that should provide substantive support to its carrying value. The Ryder Board in consultation with its auditors intends to review the carrying value of Updater Inc. at both our half and full year FY20 results.

The Company entered FY20 in a strong position with gross assets of \$98.9m as at 30 September 2019 and approximately 25.6% in cash and cash equivalents inclusive of our holding in Pacific Energy Limited which is subject to an endorsed takeover bid that we consider as a cash proxy.

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With global equity markets demonstrating increased uncertainty and volatility, the Company is well positioned to take advantage of opportunities as they arise.

Peter Constable

Chairman

22 October 2019