



GLENNON CAPITAL

SPECIALIST  
SMALL COMPANIES  
**INVESTMENT MANAGER**

Webinar

October 2019



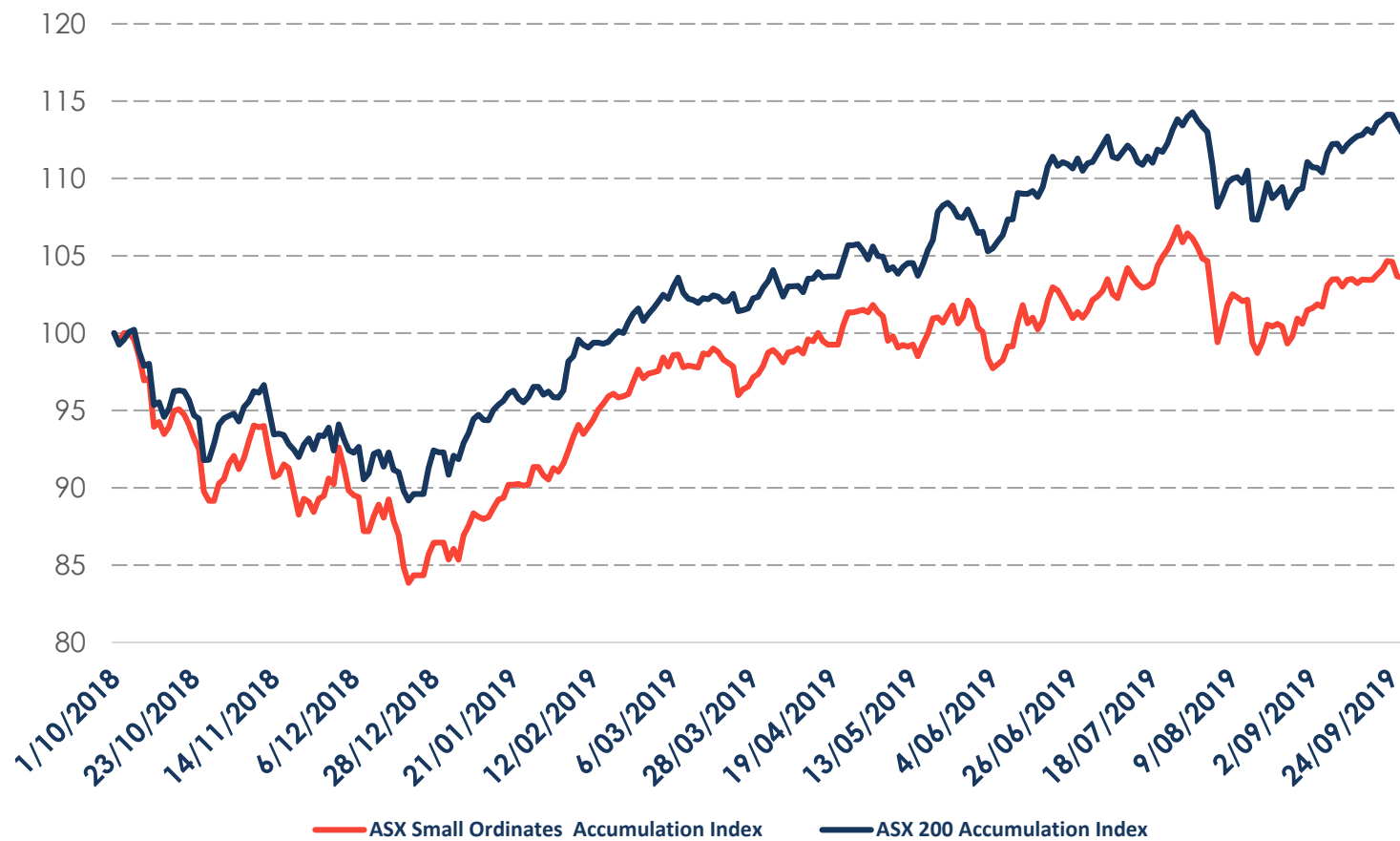
# MARKET UPDATE



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# WHAT'S HAPPENING IN SMALL CAPS?

12 Month September: ASX Small Ords v. ASX 200

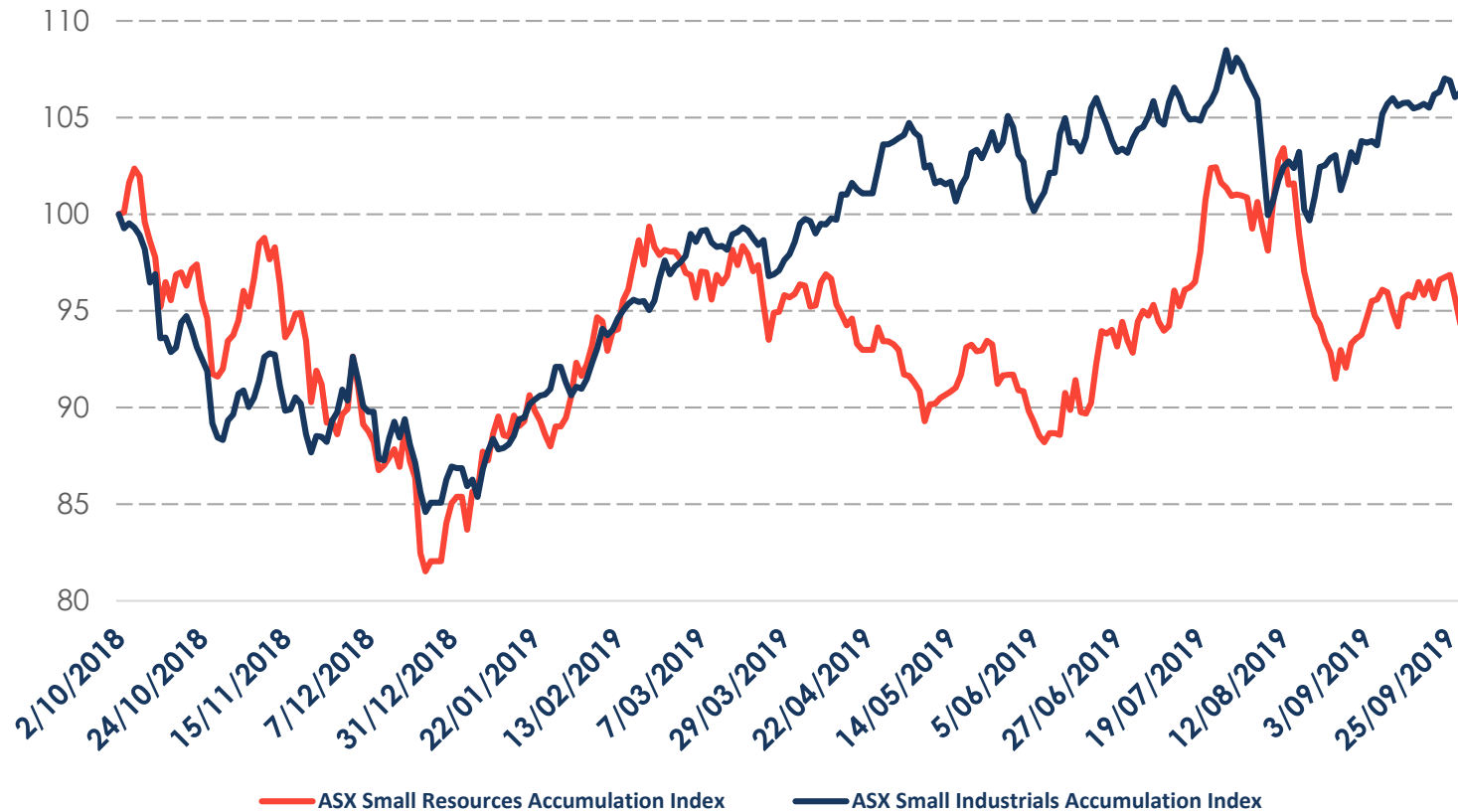


- Overall produced weak returns
- Flight to quality
- Bond investors moving to equity



# WHAT'S HAPPENING IN SMALL CAPS?

12 Month September: Small Resources v. Small Industrials



- Resources are lagging
- Cost pressures in resources
- Trade between US/China

# THE ECONOMY

- Low inflation
- Low unemployment
- Low interest rates
- Heavy infrastructure spending in NSW & VIC
- Mining & Resources spending in WA & QLD
  - Coal
  - Iron Ore
  - Gas & Oil



# INVESTMENT CYCLE



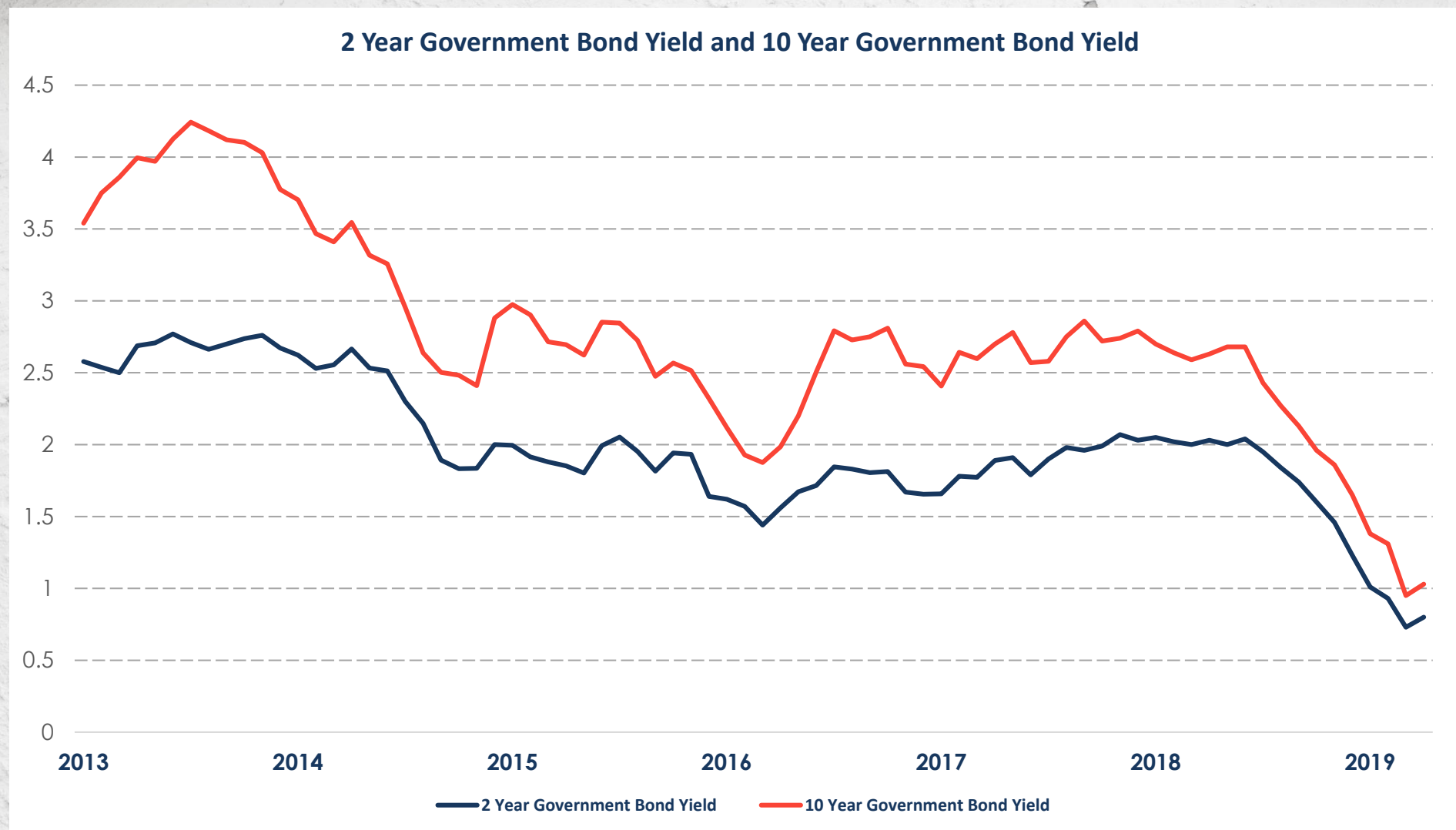
# THE CYCLE OF MARKET EMOTIONS

## The Cycle of Investor Emotions



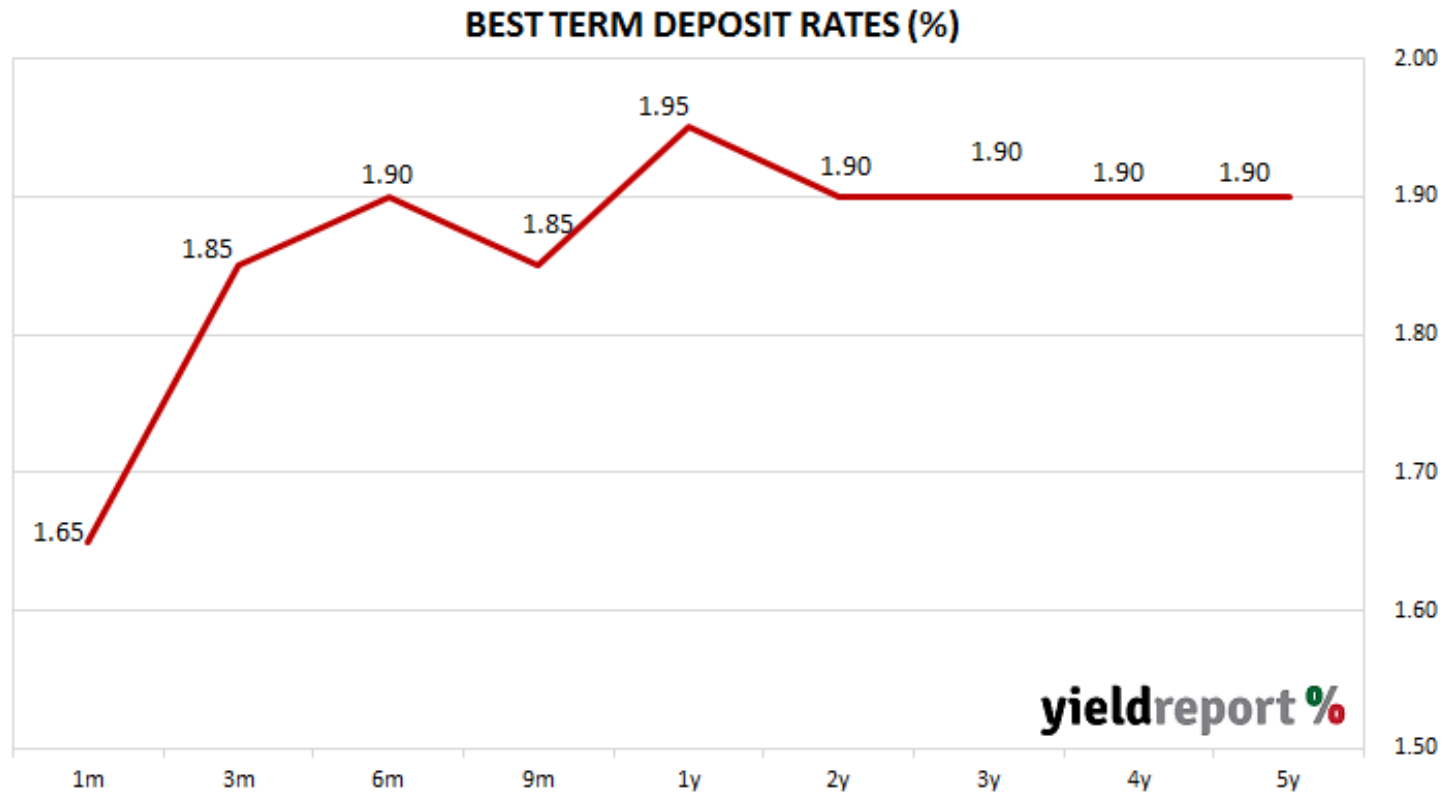
# BOND YIELDS

Yields have been trending lower over the past decade, affecting valuations.





# FLAT YIELD CURVE



- Yield curve still at historic lows
- Asset prices will stay strong for a while
- At 1.9% the 5 year curve is still historically low



# WHY YOU NEED SMALL CAPS



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# SMALL CAPS PROVIDE GROWTH AND OPPORTUNITY

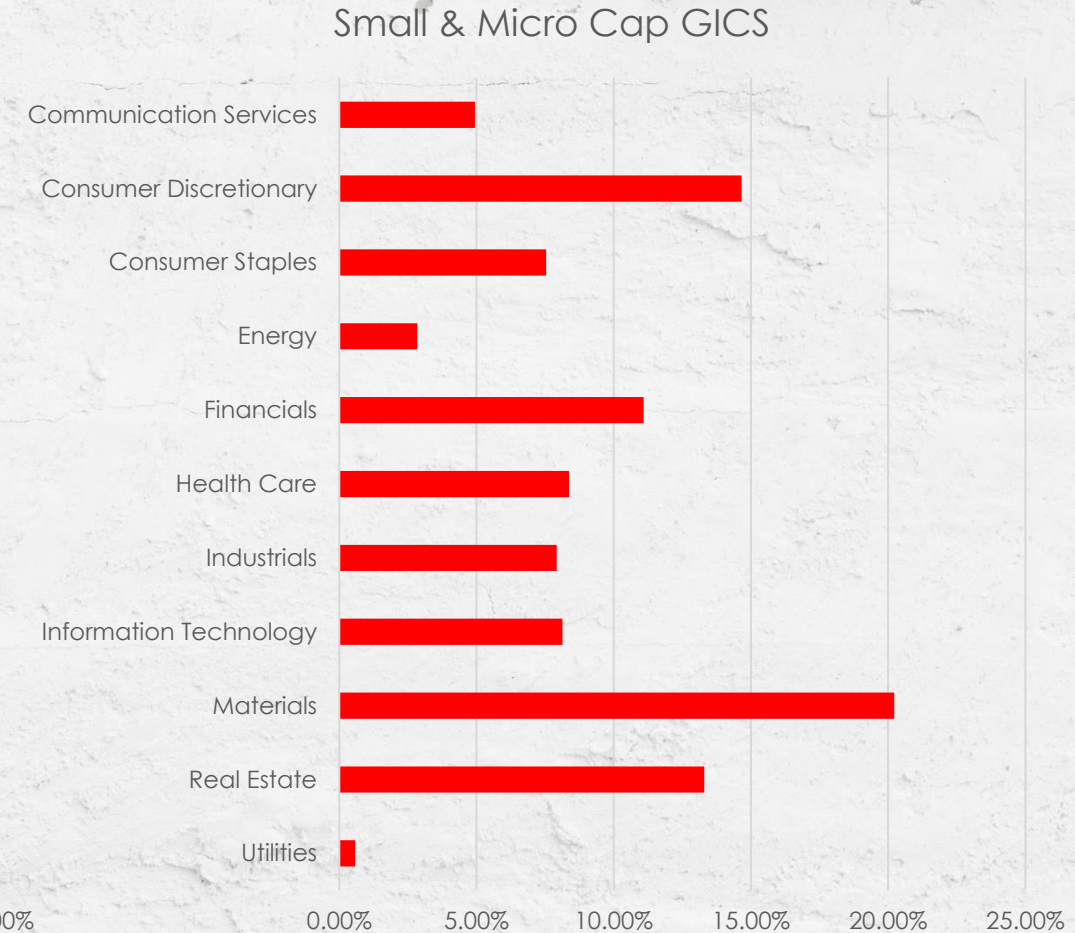
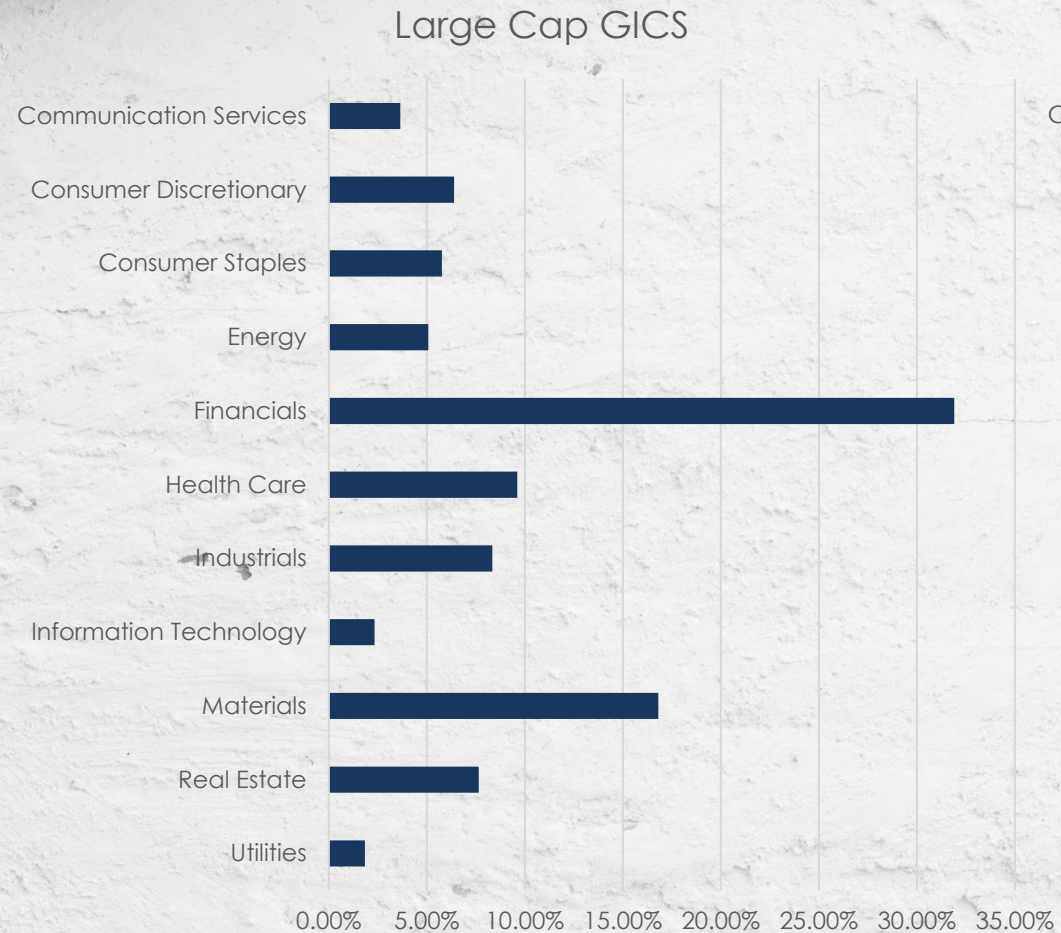
- Within Australian equities there are two choices ... large and small caps
- Large Caps grow at or around GDP ... maturity
- ETFs do not access the growth provided by small caps ... liquidity stops it
- Small Cap investment requires stock pickers
- That's what we do

Small cap investing suits experts

# THE SMALL CAP UNIVERSE

Small caps provide a better sector diversification.

Large caps are Materials and Financials heavy!

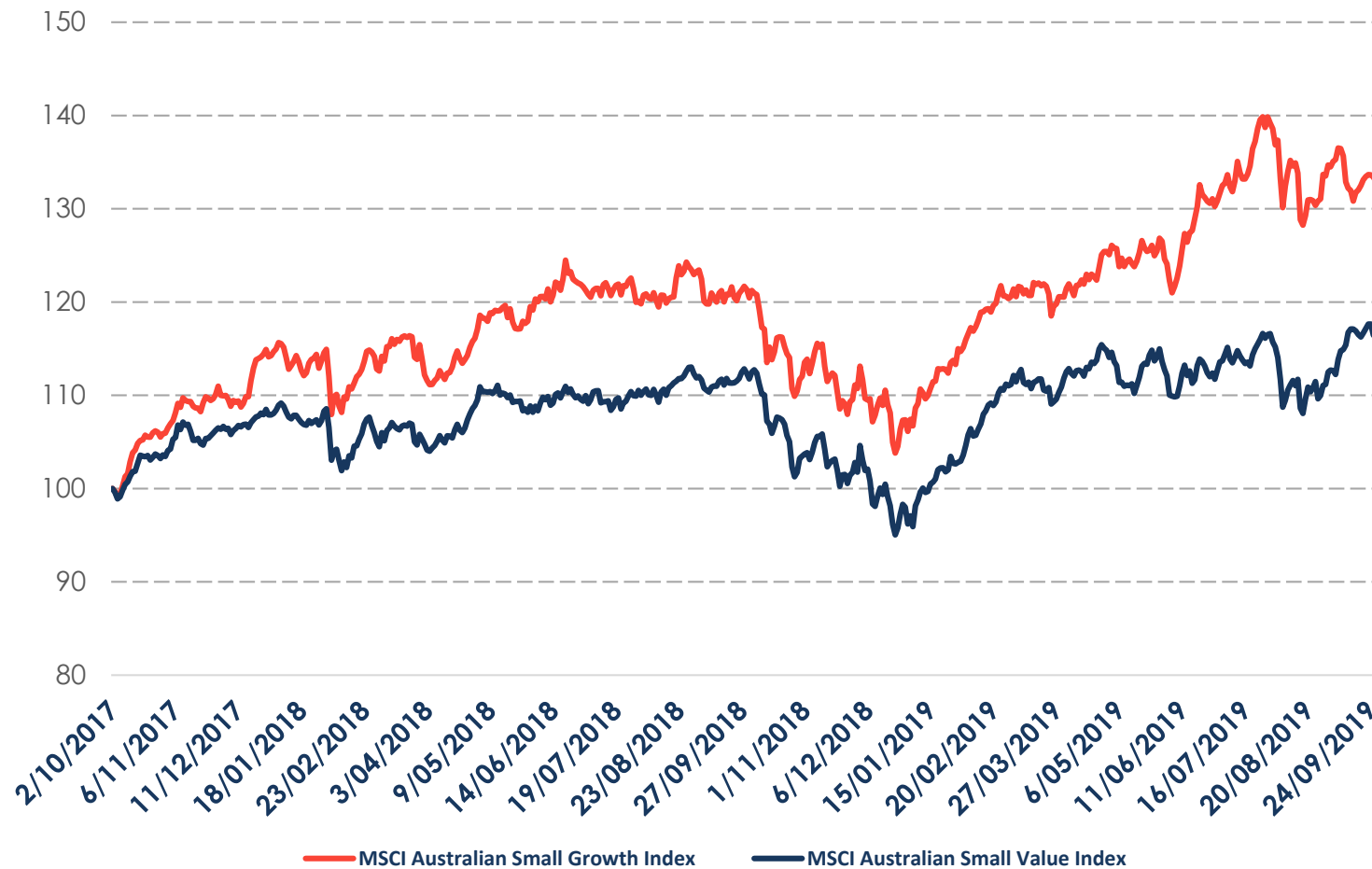




# MARKET UPDATE

# GROWTH v. VALUE

2 Years: Growth v. Value

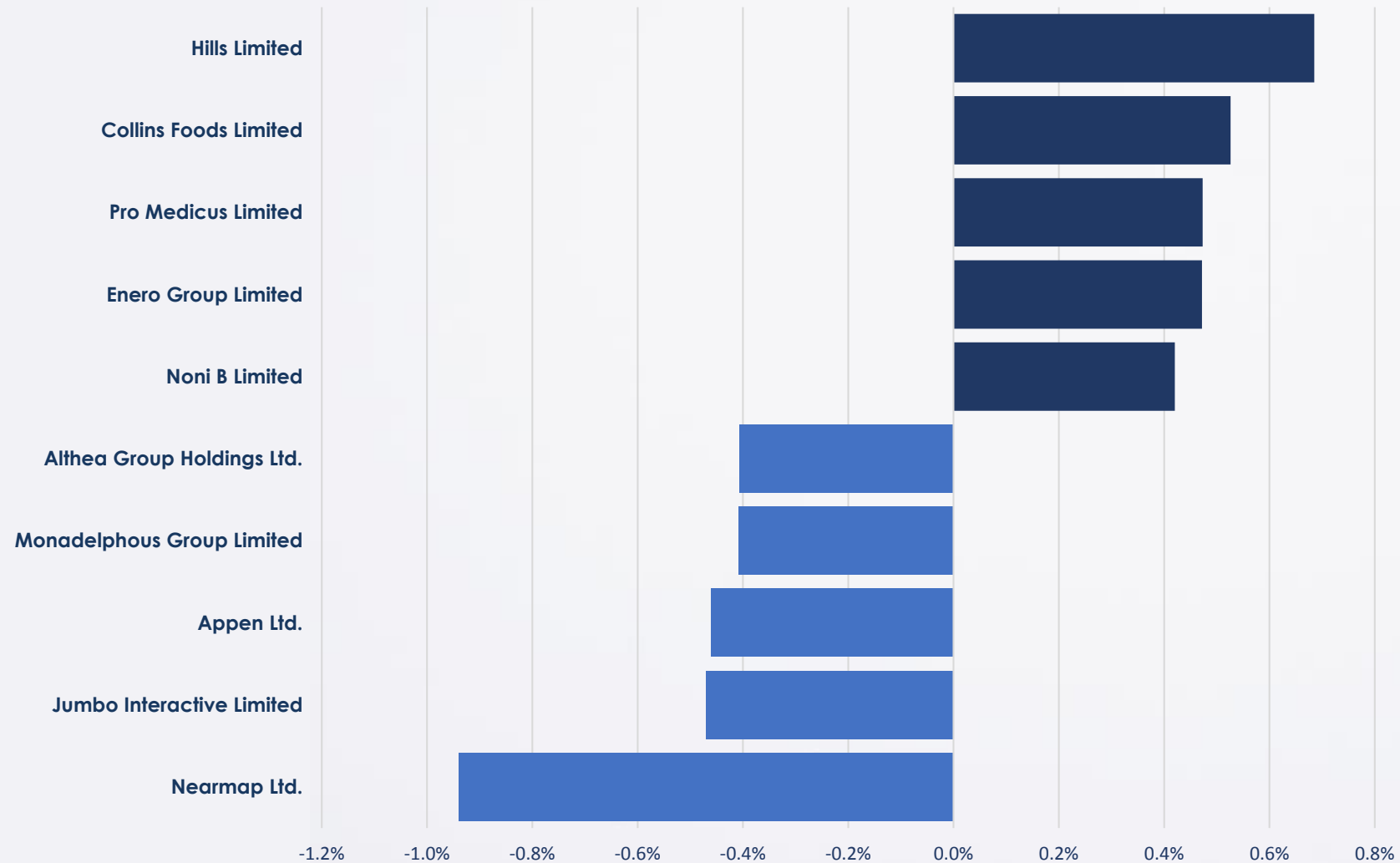


- Value stocks are lagging behind
- Market lack of interest in non-growth small and microcaps
- Significant risk of serious loss of capital from high growth high PE companies
- High cash level



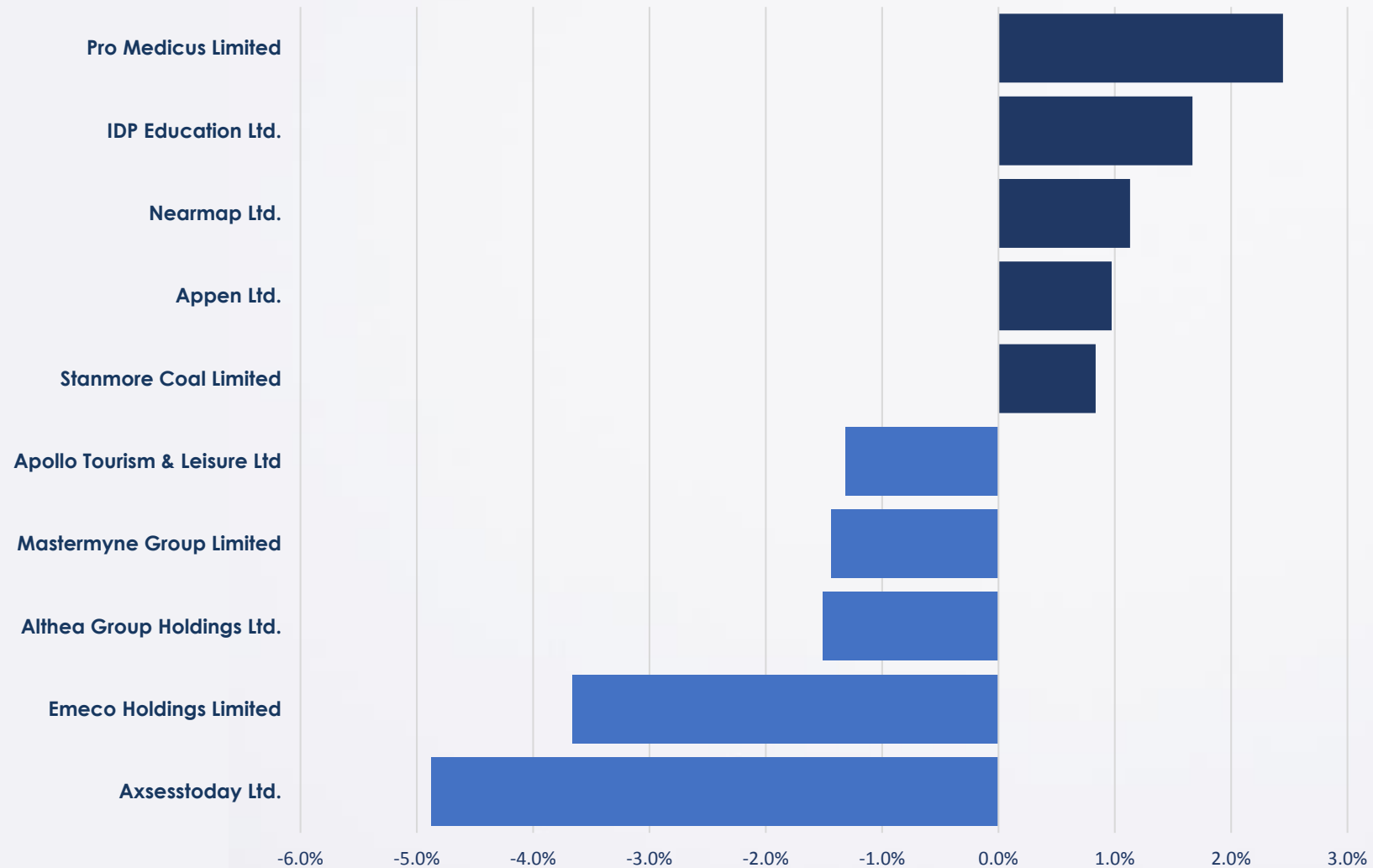
# PORTFOLIO UPDATE

# CONTRIBUTION TO RETURN FOR THE QUARTER





# CONTRIBUTION TO RETURN FOR THE YEAR



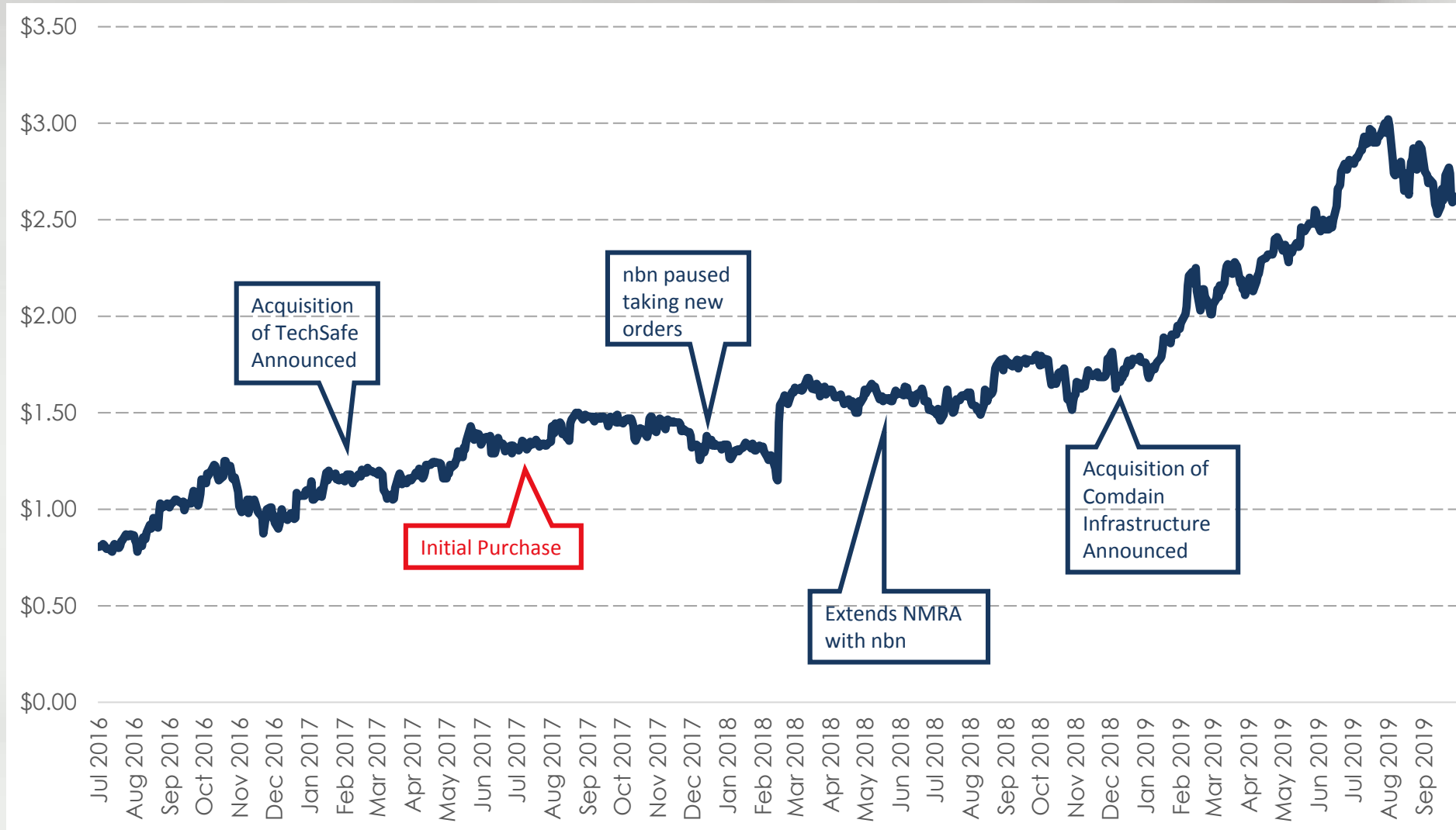


**WHAT'S  
NEW?**





# Service Steam Limited



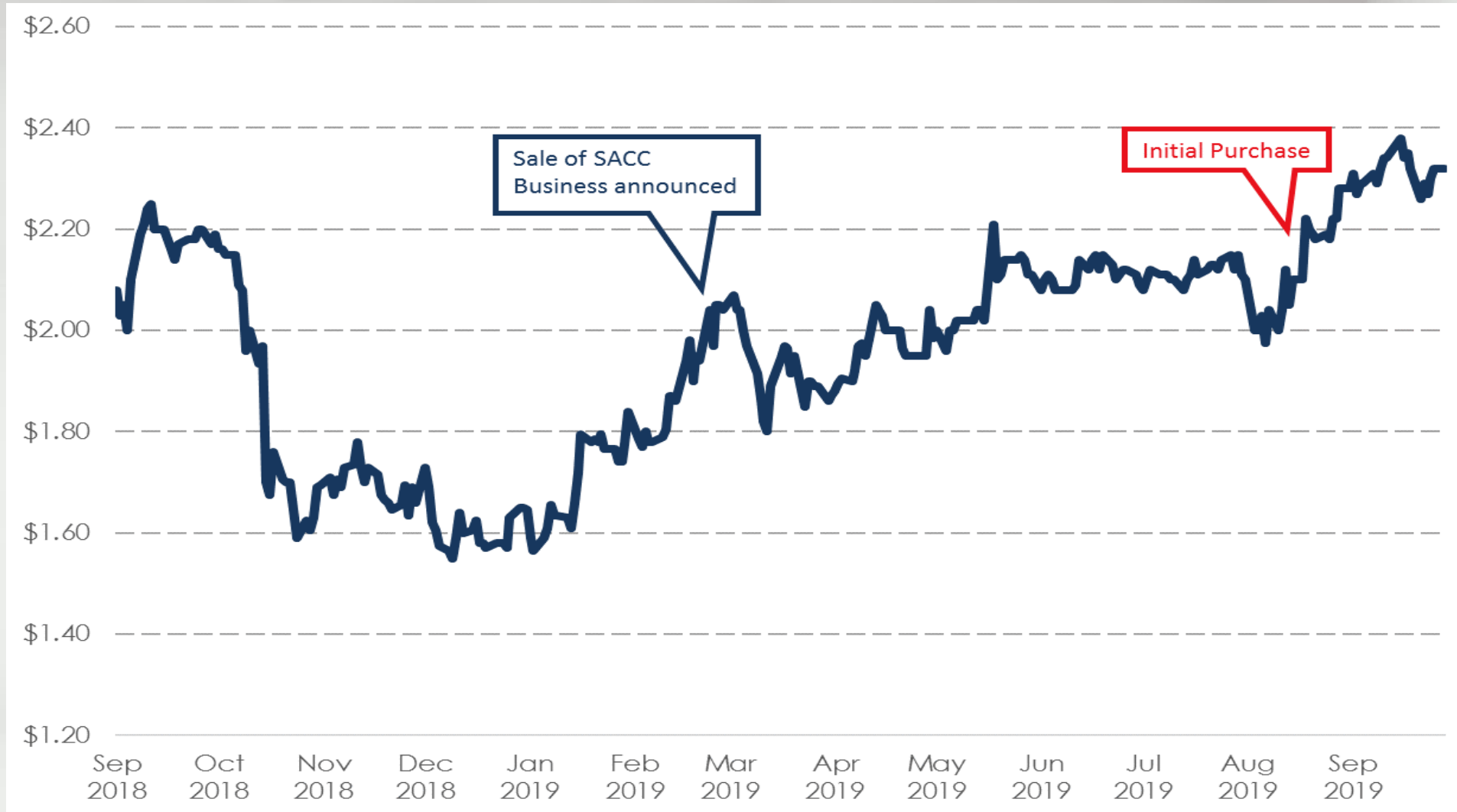
# Service Stream Limited

- Consistent contract awards
- Strong demand for services across both telecommunications and utilities markets
- Positive net cash despite acquisitions

(\$m)	FY19	FY20E	FY21E	FY22E
Revenue	852.2	992.2	1017.0	1031.2
EBITDA	93.3	102.0	104.1	103.1
NPAT	57.7	62.1	64.0	64.1
EPS (cents)	14.4	15.5	15.9	16.0
EPS Growth		7.6%	3.1%	0.2%
EV/EBITDA	10.9	9.99	9.7	9.8
PER	17.7	16.5	16.0	16.0



# Money3 Corporation Limited



# Money3 Corporation Limited

- Sale and clean exit of the SACC business
- Specialist provider of automotive loan
- Expansion in New Zealand
- Strong capital available in lending headroom

(\$m)	FY19	FY20E	FY21E	FY22E
Revenue	136.4	121.0	139.0	154.0
EBITDA	63.6	61.0	76.0	87.0
NPAT	34.7	32.8	41.0	46.5
EPS (cents)	19.1	18.0	22.5	25.5
EPS Growth		-5.5%	25.0%	13.4%
EV/EBITDA	7.9	8.2	6.6	5.8
PER	11.6	12.2	9.8	8.6



# OUTLOOK



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- Lots of companies trading at attractive valuations
  - AGM Season (November)
  - \$A depreciation supporting business strength
  - Australian companies are growing internationally
  - Infrastructure spending is at all time highs



# QUESTIONS

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