



Glennon Small Companies

Annual General Meeting 2019

A low-angle, upward-looking perspective of several modern skyscrapers with glass facades, reaching towards a cloudy sky. The image is overlaid with a semi-transparent dark blue filter.

FORMAL BUSINESS

Proxy Results



Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass the following resolution as a non-binding resolution:

“That the remuneration report, as contained in the directors report of the Company for the financial year ended 30 June 2019, be adopted.”

For	Against	Abstain
852,228	133,655	2,500

Proxy Results



Resolution 2 – Re-Election of Director – John Larsen

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That John Larsen, who retires in accordance with the clause 20.3 of the Company’s constitution and being eligible, offers himself for re-election, be re-elected a director.”

For	Against	Abstain
1,255,590	55,932	10,000

A low-angle, upward-looking perspective of several modern skyscrapers with glass facades, reaching towards a cloudy sky. The image is overlaid with a semi-transparent dark blue filter.

CHAIRMAN'S ADDRESS AND INVESTOR UPDATE

Michael Glennon

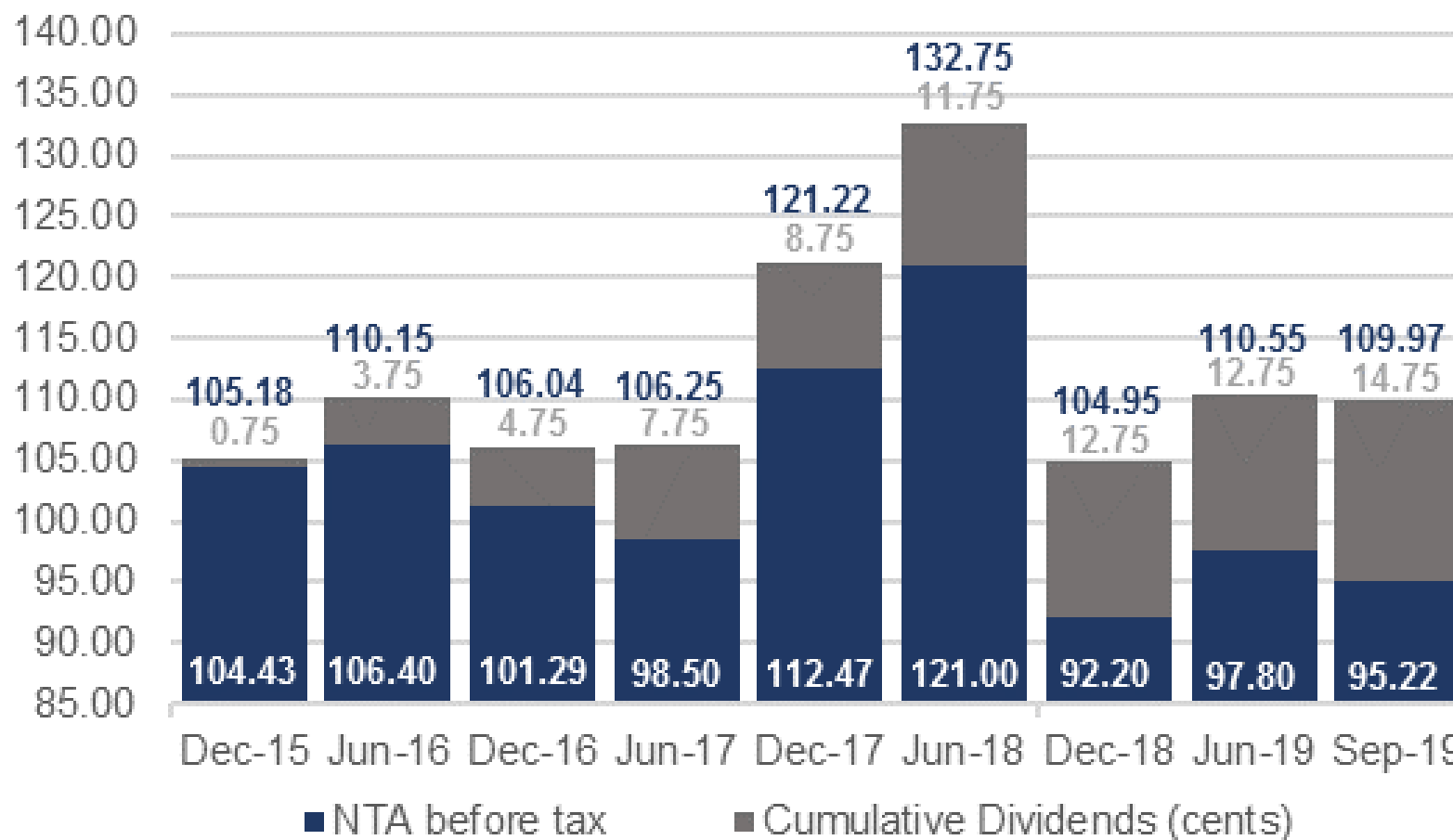


GC1 Highlights

GC1 NTA + Dividends Paid

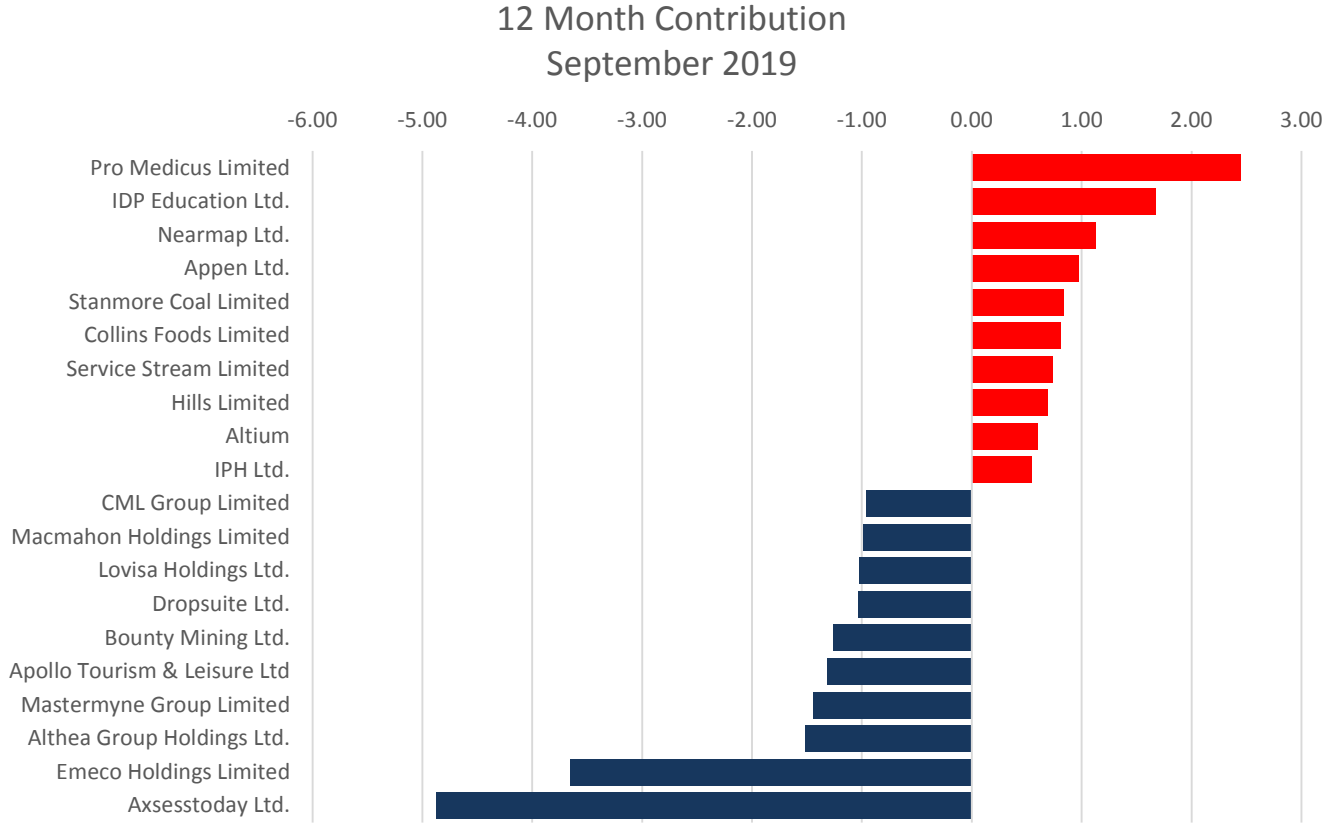


GC1 NTA (Pre-Tax) + Cumulative Dividends



Source: Glennon Capital, Link Fund Solutions. As at September 2019

GC1 Top Contributors & Detractors



Source: Glennon Capital, Link Fund Solutions. As at September 2019



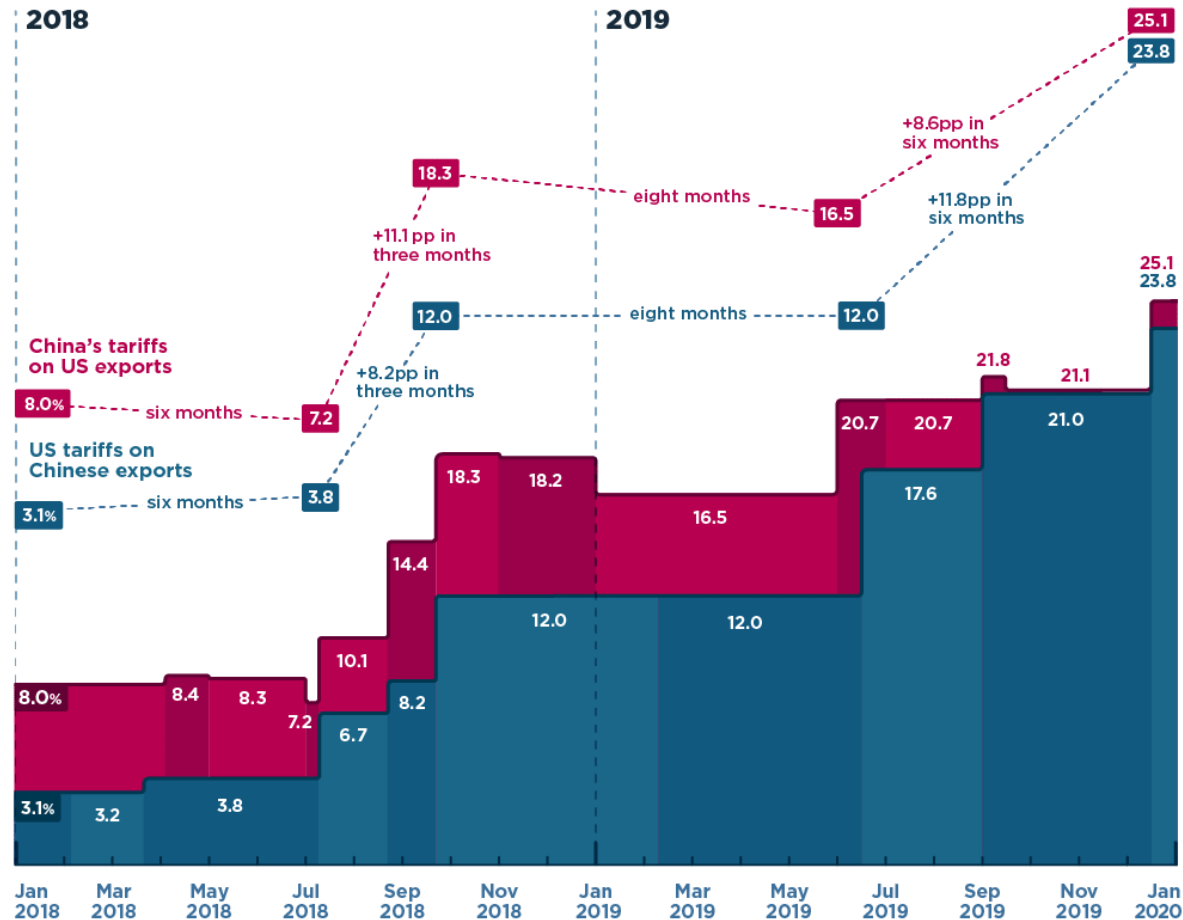
What Happened Last Year

Trade War



US-China Trade War Tariffs: An Up-to-Date Chart

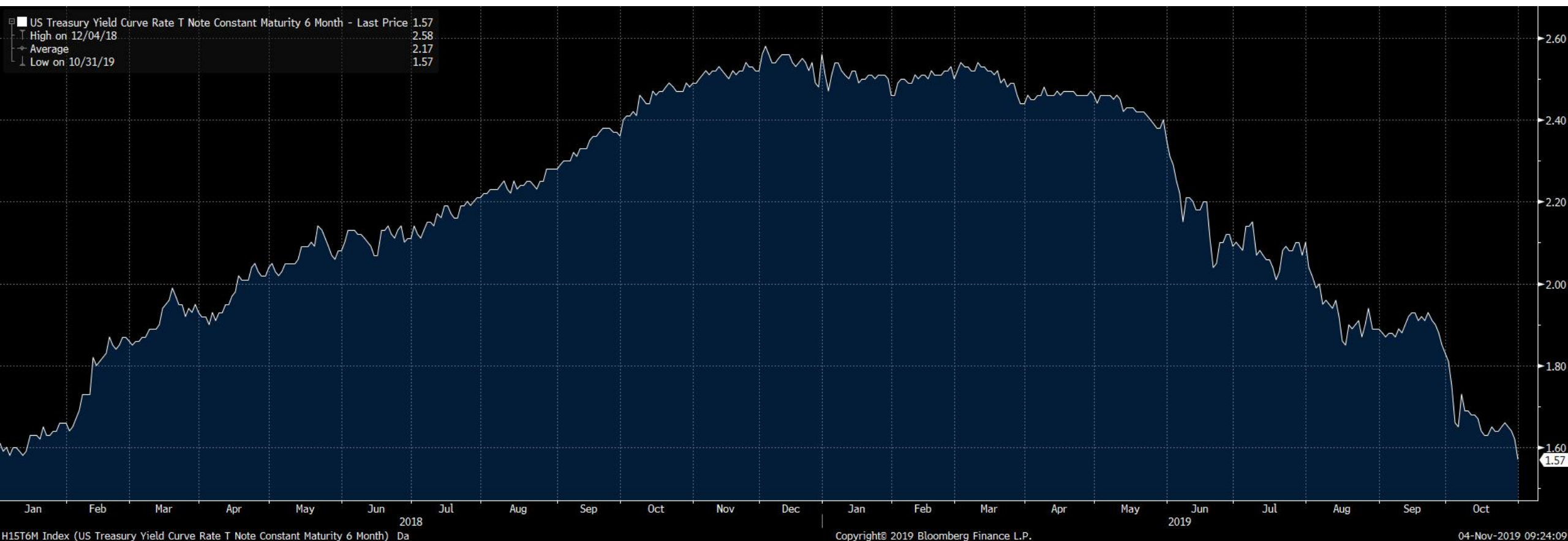
Average tariff rate, percent



Source: Peterson Institute For International Economics. As at 4 Nov 2019

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Yields Movement Affecting Valuations



Source: Bloomberg. As at 4 Nov 2019

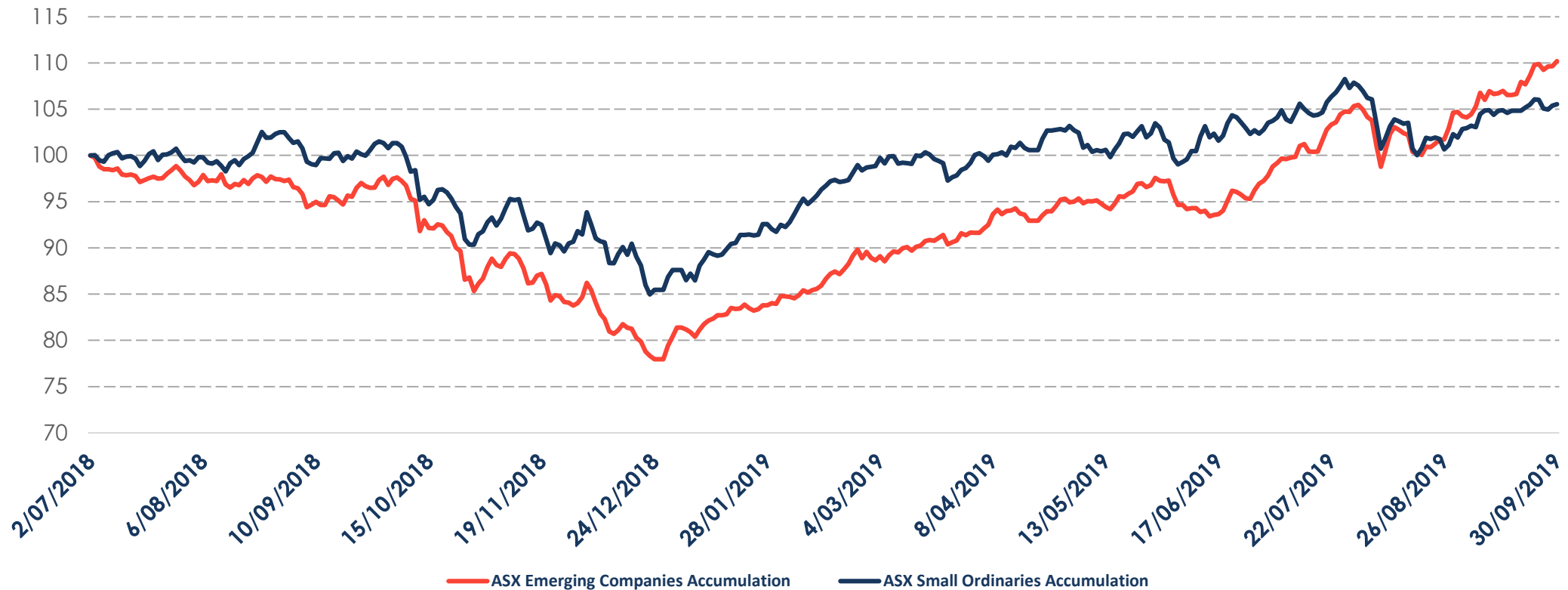
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Micro Caps



- Still Risk-off.
- Still low Liquidity.

Emerging Companies v. Small Cap



Source: IRESS. As at 4 Nov 2019

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Growth Stocks



- Delivering share price returns.
- Growth at any prices.
- Cautious in pricing for growth.
 - What is it worth?
- Look for value.

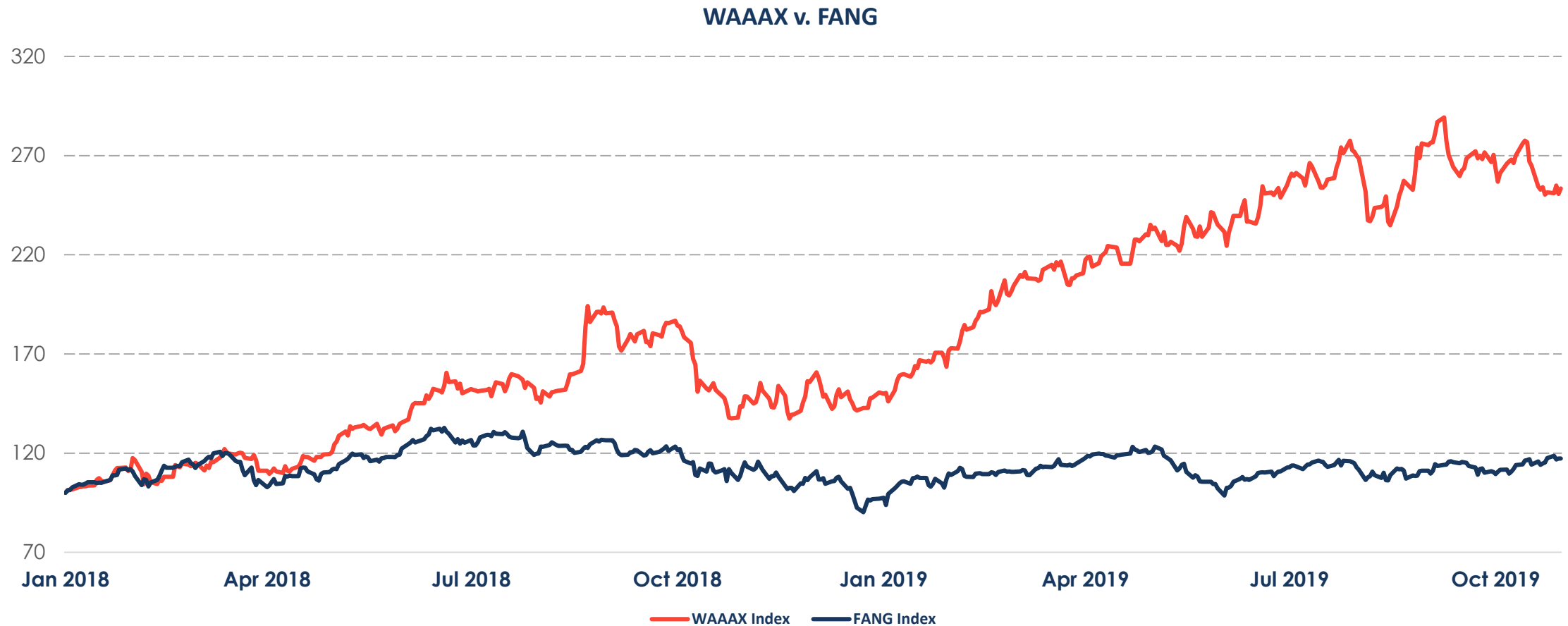
Tech Valuation

- Diverge of outcomes is very wide
- For example: Afterpay

Worst (Bear)	Mid	Best (Bull)
\$6	\$27	\$48



- Most expensive in the world for what they are.



Valuations (GC1 Holdings vs WAAAX)



	M.Cap	Revenue	NPAT	PE Ratio
MNY	391 mil	92 mil	35 mil	16.2
NBL	267 mil	881 mil	17 mil	30.5
CKF	1193 mil	901 mil	39 mil	30.5
IPH	1592 mil	259 mil	53 mil	30.0
HIL	45.2 mil	35 mil	0.5 mil	90.4
Average	698 mil	480 mil	27 mil	36.5

	M.Cap	Revenue	NPAT	PE Ratio
WTC	8326 mil	348 mil	54 mil	74.6
ALU	4200 mil	173 mil	53 mil	65.7
APT	7258 mil	264 mil	-44 mil	-760.9
APX	2646 mil	583 mil	82 mil	20.2
XRO	9684 mil	553 mil	-27 mil	135.6
Average	6422 mil	384 mil	24 mil	74.0 (excl. APT)

Source: Bloomberg. As at 4 Nov 2019

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Domestic Economy



- Momentum in share price.
 - Growth stocks
 - Income stocks
- Yield on large Cap is gaining momentum.

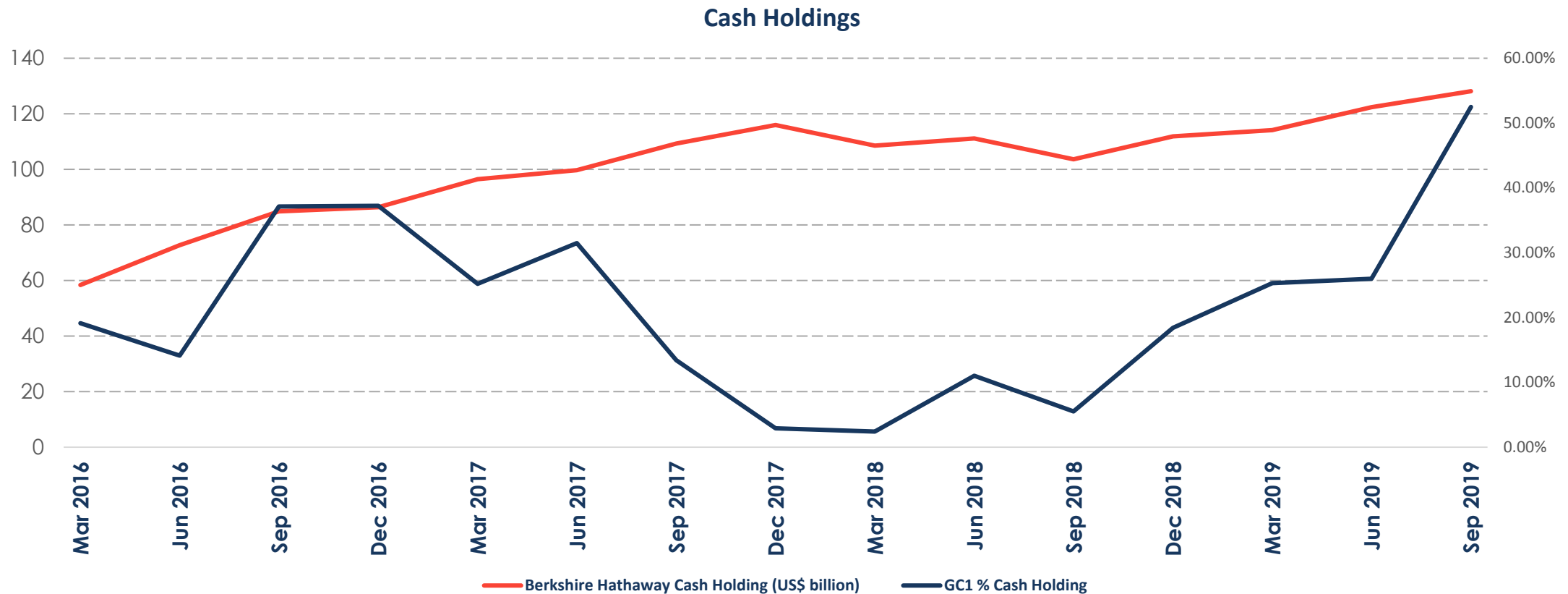
Opportunity

- Market is harsh on earnings downgrades.
 - Could be only 1-2 soft months.
 - For example, BWX
- Great opportunity for investors.

Cash Holding



- Berkshire Hathaway has record cash (\$128 billion).
- GC1 has record cash (\$22.6 million).



Source: Berkshire Hathaway. As at 4 Nov 2019

Where To From Here?



- There are always talks of recession in the headlines. Investors should not be afraid but cautiously optimistic.
- Australian economy still not in dangerous territory – low interest rates, low inflation, high employment.
- International trade disruption continues to create uncertainty – local small caps not fundamentally impacted, good idea to stick to established drivers.
- Infrastructure and resources investment recovery leading the way. Mining and infrastructure services companies preferred, with some specific direct resources investments.
- Fall in cash rate pushes investors to equities for yield.
- Value stocks have been overlooked in the market. We are taking advantage of this.
- Not chasing inflated tech opportunities, but disruptive technology does appeal. As do Australian companies with international exposure. Lower \$A comes into play.

Valuations & Stock Picking Will Prevail



GC1 Portfolio

Our Portfolio



As of 30th September 2019

Portfolio Characteristics

- 31 Holdings
- Top 10 positions represent 27.7% of the portfolio
- Cash at 53%
- Largest market cap IPH \$1.73B, Smallest market cap Sequoia Financial Group \$7.74M
- Average M.Cap \$383.0M
- Median M.Cap \$246.8M

Top Portfolio Holdings

Money3 Corporation Limited	5.39%
Noni B Limited	4.27%
Collins Foods Limited	2.95%
IPH Ltd	2.67%
Hills Limited	2.49%

GC1 Gross Portfolio Performance

Performance at 30 September 2019	1 Month	3 Month	6 Month	1 Year	Since Inception
Glennon Small Companies Ltd	0.62%	-0.36%	3.33%	-16.33%	8.17%

Share Price @ \$2.15

M.Cap	(\$m)	391
EV	(\$m)	491
Profit FY19	(\$m)	24.2
PE	X	16.2
EV/EBITDA	X	10.3

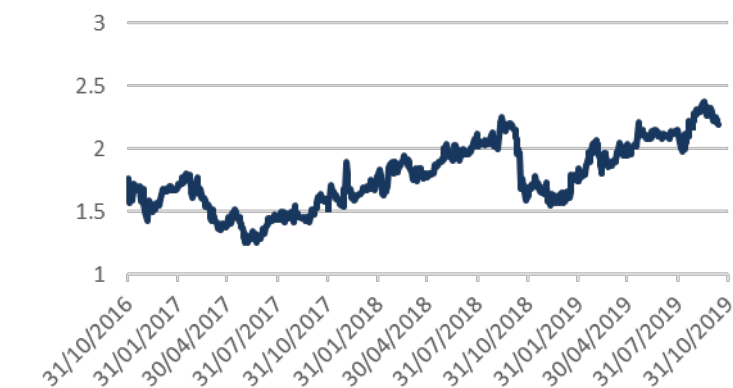
Earnings Drivers

- Focused on vehicle finance.
- Expansion in NZ.
- Regulatory headwinds drives credit worthy consumers towards Money3.

Key Risks

- Credit risk.
- Decreasing new vehicles sales in the Australian market.
- Increasing competition.

Share Price Chart



Divisional Comments

- Acquisitions provides great expansion opportunity.
- Large players have tightened lending standard and procedures.
- High quality loan book
- Efficiencies coming through from cost saving synergies.

Valuation Assumptions

- Continue strong loan book growth.
- Rising market penetration in NZ.
- Better pricing and utilisation.
- Low level of unemployment.



Share Price @ \$2.49

M.Cap	(\$m)	267
EV	(\$m)	260
NPAT FY19	(\$m)	17.3
PE	X	15.5
EV/EBITDA	X	5.7

Earnings Drivers

- Expansion in online sales
- Store rollout across all brands
- Multi-channel experience
- Brand consolidation and integration

Key Risks

- Decline in retail sales and consumer confidence.
- Aggressive discount from peers.
- FX headwinds.
- Loss of customers favour

Share Price Chart



Divisional Comments

- Strong balance sheet and positive net cash
- Profitable new brands fuelled the growth
- Digital expansion with broader presence on global marketplaces

Valuation Assumptions

- Benefit from cost efficiencies, inventory realignment and supplier cost synergies.
- Expanding product category offering.
- Dividend payout maintained at 60-70%.

Collins Foods



Share Price @ \$10.24

M.Cap	(\$m)	1193
EV	(\$m)	1405
Profit	(\$m)	39.1
PE	X	30.5
EV/EBITDA	X	12.4

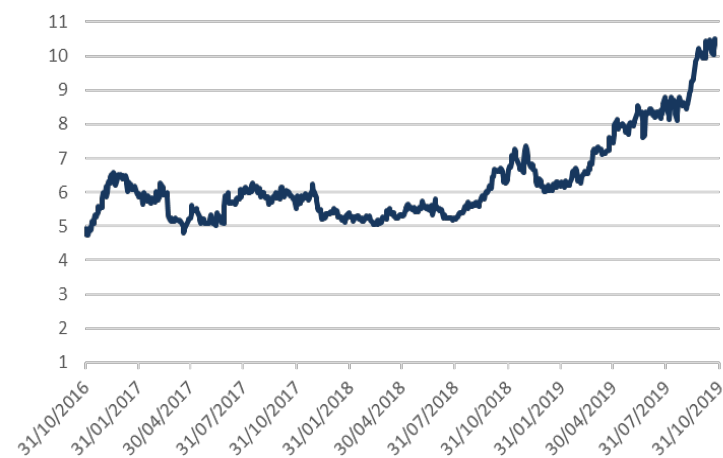
Earnings Drivers

- Expanding delivery channel and apps sales.
- Cost saving from system modernisation and automation.
- KFC Store rollout in AUS and EUR
- Rollout more than 50 Taco Bell before Dec 2021.

Key Risks

- Key people risk and succession of the CEO.
- Ability to organically fund roll-out.
- Execution risks around the Taco Bell roll-out.
- Timing issues of KFC Europe acquisition.

Share Price Chart



Divisional Comments

- Strong operating cash flows and strengthening balance sheet through deleveraging.
- Nice same store sales growth.
- Strong margin from sales growth (operating leverage).

Valuation Assumptions

- Continue strong operating cash flows and deleveraging.
- Positive comparative sales growth.
- Store rollout acceleration in Australia.

Share Price @ \$8.07

M.Cap	(\$m)	1,592
EV	(\$m)	1,622
Profit	(\$m)	53.1
PE	X	30.0
EV/EBITDA	X	18.89

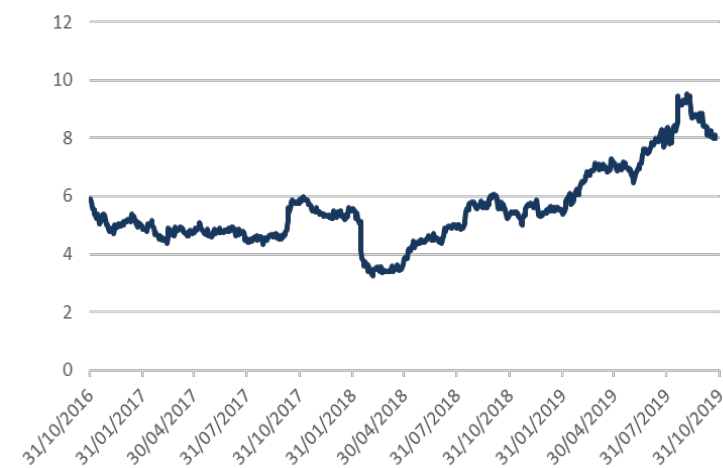
Earnings Drivers

- Cost synergies from Xenith acquisition.
- Leverage Asian platform to service XIP clients and grow Asian business.
- UK expansion has started.
- Start-up costs.

Key Risks

- Foreign exchange risk.
- Decrease in IP filing in the total Australian market.
- Key people risk. CEO sold 300,000 shares (15% of his holding).
- Acquisition risk. XIP is a large acquisition.

Share Price Chart



Divisional Comments

- Dominant market participant in Australian IP services market.
- Diversified portfolio in Asia.
- AJ Park exceeds guidance, proofing IPH's ability to integrate acquisitions.

Valuation Assumptions

- Continue dominant in Australian market.
- Growing market share in Asian.
- Margin improvement in AUS and NZ.



Share Price @ \$0.195

M.Cap	(\$m)	45.2
EV	(\$m)	73.6
Profit	(\$m)	0.5
PE	X	90.5
EV/EBITDA	X	7.2

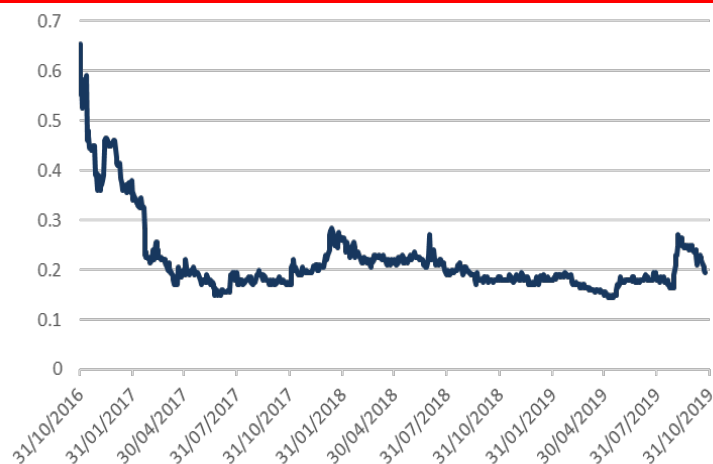
Earnings Drivers

- Exit of “non-core” Communication business.
- Growth in Health technology business by winning contracts.
- Operating cost savings from implementing changes to the Distribution business.

Key Risks

- Currency risk, weakening AUD hurts distribution business.
- Contract extension risk.
- Selling price of “non-core” Communication business.

Share Price Chart



Divisional Comments

- Successful sale of capital intensive business.
- Trading close to net tangible asset with growth opportunities from Health business.
- Transition to capital light business.
- Health related business is recession-resistant

Valuation Assumptions

- Successful selling non-core “Communication” business.
- Stable AUD value.
- Continuing investing in Health business.
- Start paying dividend in two years.

Questions?



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