

Tuesday, 10 March 2020

Company Announcements  
Australian Securities Exchange  
Level 4, 20 Bridge Street  
Sydney NSW 2000

### **Net Tangible Asset Backing**

Please find attached the 29 February 2020 Net Tangible Assets (NTA) notification for Glennon Small Companies Limited (ASX: GC1).

### **Estimate NTA - As at 09 March 2020**

In the interest of full disclosure as a result of the recent market volatility, as at the close of business Monday, 09 March 2020, the unaudited estimate of the NTA was \$0.7703.

GC1 current portfolio as at Monday, 09 March is sitting on 21% cash.

We will attempt to provide our shareholders with more frequent updates to the NTA in the near future.

For more information, please contact:

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### NTA

NTA (before tax)	<b>\$0.90</b>
NTA (after tax)	<b>\$0.91</b>
ASX Code	GC1
Inception date	21 August 2015
Share price (28/02/20)	\$0.79
Cumulative dividends*	15.75c

\* Excluding GST and franking

### PORTFOLIO

Cash weighting	19.78%
Number of holdings	33

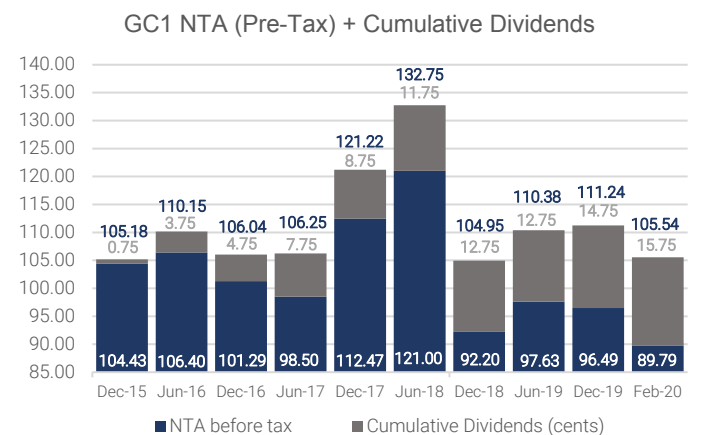
### DIVIDEND HISTORY

Period ended	Type	Amount (cps)
31 December 2015	Interim	0.75
30 June 2016	Final	3.00
31 December 2016	Interim	1.00
30 June 2017	Final	3.00
31 December 2017	Interim	1.00
30 June 2018	Final	3.00
31 December 2018	Interim	1.00
30 June 2019	Final	2.00
31 December 2019	Interim	1.00
<b>Total dividends</b>		<b>15.75</b>

### TOP 5 HOLDINGS

Company Name	ASX code
Brickworks Limited	BKW
Money3 Corporation Limited	MNY
Johns Lyng Group Limited	JLG
Probiotec Limited	PBP
Resimac Group Limited	RMC

### NTA + DIVIDENDS



### REVIEW OF THE MONTH

In February the market reminds investors how volatile equity investment can be. At the start of the month, the market upgraded retail stocks after surprisingly strong consumer spending in the December 2019 quarter. The uplift in economic growth expectation was evidenced by the wide expectation of no rate cuts in 2020. In the first three weeks, the market rallied more than 3%.

However, the coronavirus started to spread outside China to South Korea, Japan and Italy. Investors started to evaluate the financial costs of the coronavirus. A concern over China's manufacturing sectors spiked following profit warnings from multinational corporations like Apple and Microsoft. The stock market had one of the quickest corrections in history and was down by 11.59% in 7 trading days.

The Small Ordinaries finished the month with -8.68%. Small Industrials lost by 8.44%, with Small Resources falling 9.69%. GC1 returned -8.86% for the month, underperforming the market with an average cash balance of 14.63%.

### COMPANY NEWS

Our top 3 largest contributors to performance during this month were Money3 (MNY), Johns Lyng Group (JLG) and Capital Health

(CAJ), while Thorn Group (TGA) was the largest detractor from portfolio performance. MNY reported a strong growth in automotive loan, and remained a sharp focus on the growth strategy, resulting in 13% share price increase during the month. In the last NTA report we explained the rationale behind accumulating JLG. The results released by JLG shows the rise in workflows from catastrophic events was up by 154% on 1H19. As a consequence, the share price performed well and rose by 5.83%. CAJ grew their underlying profit by double digits. A successful margin improvement was achieved by great cost control. Unfortunately, illiquid stocks suffered much in the current market downturn, evidenced with TGA which was down by 25% during the month.

In terms of the existing position, we believe Probiotec (PBP) continues to be an attractive investment. PBP is a leading manufacturer, packer and distributor of a range of prescription and over-the-counter pharmaceuticals, medicines and consumer health products. In the earnings result, PBP demonstrated a strong growth profile. The organic revenue is growing at 17% while the acquisition also contributed to the overall revenue growth. As a result, the underlying revenue is up by 34%, and the net profit after tax is up by 85%.

PBP has a strong balance sheet and is expected to achieve a net cash position at the end of FY20. Despite undertaking two

acquisitions at the start of FY20, the company has only \$3.7 million of net debt position because of the on-market share placement undertaken in October 2019. The company generated a strong free cash flow of \$4.7 million. Therefore, we expect PBP to achieve a net cash position at the end of FY20, which provides a defensive element in this investment.

Moreover, PBP manufactures over-the-counter pharmaceutical, medical, nutritional and specialty products, which should be less impacted by the coronavirus. At the same time, the company showed a strong free cash flow generation and growth profile. We believe the recent downturn may provide us an opportunity to make a great return from PBP.

## PORTFOLIO OUTLOOK

The market shows a serious concern over coronavirus to the economy. The share prices of many quality companies have been hammered as a result. And a lot of high-quality companies are now priced at an attractive multiple. We believe that there is value emerging in the current market pull back.



**Michael Glennon**  
Executive Chairman

## HOW TO INVEST

Glennon Small Companies Limited shares are traded on the Australian Securities Exchange (ASX) under the ticker code 'GC1'.

If you are a first-time investor, you purchase shares through a stockbroker in the same way as you buy shares in other companies. If you do not have a stock broker, the ASX provides a service which can assist you. Please visit their site at:

<http://www.asx.com.au/education/first-time-investors.htm>

## GENERAL ENQUIRIES



GLENNON CAPITAL

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