

Wednesday, 15 July 2020

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

**Glennon Small Companies Limited (ASX: GC1) – Quarterly Webinar**

Please find attached a copy of the Company's Quarterly Webinar Presentation that Michael Glennon, Executive Chairman and Chief Investment Officer will be using when presenting to investors on Wednesday 15 July 11AM.

For more information, please contact:

Anushuka Ray  
Joint Company Secretary  
Glennon Small Companies Limited

Email: [info@glennon.com.au](mailto:info@glennon.com.au)  
Phone: (02) 8027 1000  
Website: [www.glennon.com.au](http://www.glennon.com.au)



GLENNON CAPITAL

# Glennon Capital Quarterly Webinar

July 2020



# AGENDA

1. Market Overview
2. Portfolio Overview
3. Stock Overview
4. Questions

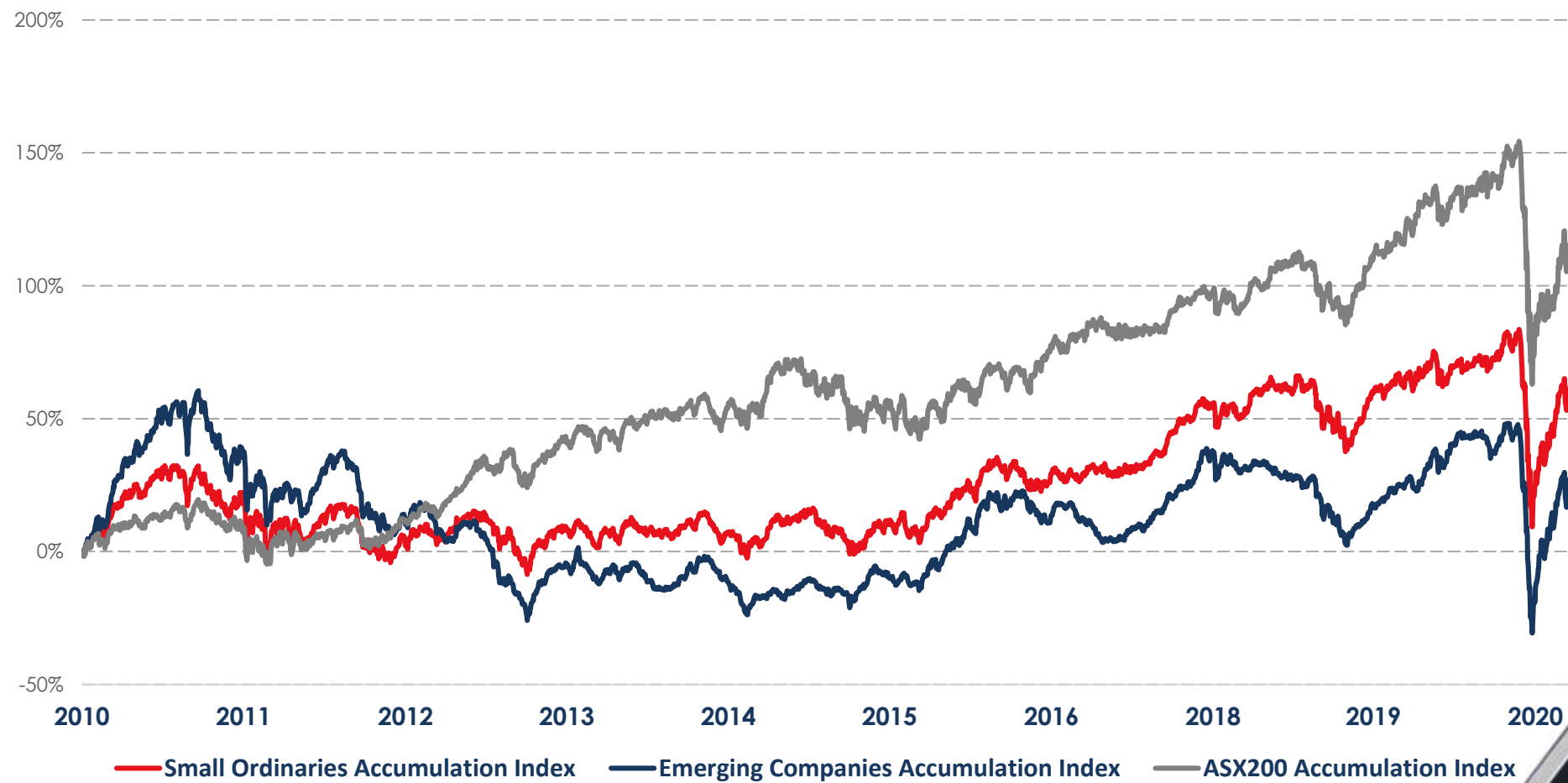


# MARKET OVERVIEW

1. Market Performance
2. Government Stimulus
3. Buy Now Pay Later (BNPL)
4. 90's Tech Boom

# MARKET PERFORMANCE (10-YEAR)

## Big Cap vs Small Cap



# GOVERNMENT STIMULUS

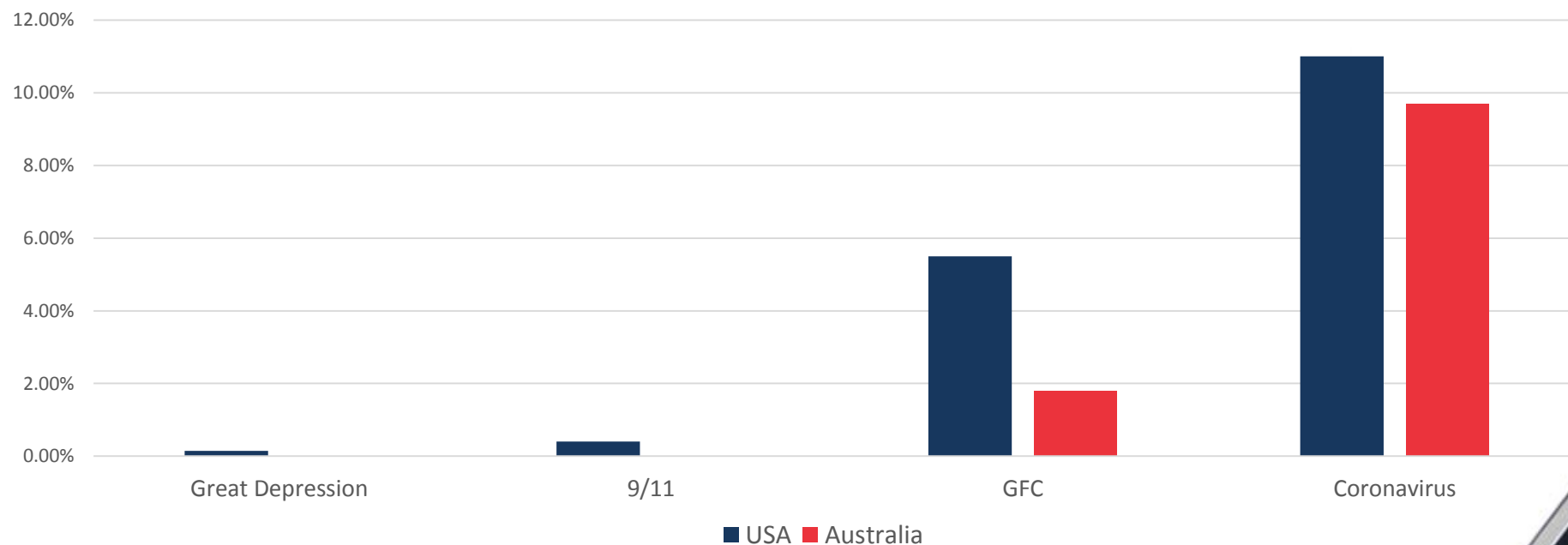
**Money injected directly from government:** Support employment, consumption

**Support from banking sectors:** Waive fees to deferred business loans and overdraft repayments

**QE from Central Banks:** Reduce long term interest rate and provide liquidity to corporations

**Greatest stimulus packages in history:** Provide strong support for economic recovery

Size of Government Stimulus



# BUY NOW PAY LATER (BNPL)

	Revenue FY20E (Growth)	Profit FY20E	EV/Rev	12-Mth Price Movement
Afterpay	514.3 Mil (94.7%)	-32.6 Mil	37.21	200.04%
Openpay	20.6 Mil (87.3%)	-41.8 Mil	15.77	172.93%
Zip	161.6 Mil (94.9%)	-53.8 Mil	23.65	148.85%
Sezzle	44.0 Mil (273.3%)	-16.6 Mil	22.0	268.64%

Source: Bloomberg as on 13/07/2020

# 90's TECH BOOM

	Revenue in 1999 (Growth)	EV/Rev	Peak to Trough	Time to Recover
Amazon	609.8 Mil (412.6%)	27.93	-94.40%	9 Years
Ebay	86.1 Mil (N/A)	344.52	-77.1%	3.5 Years
Oracle	10,130.1 Mil (14.5%)	19.18	-84.2%	16 Years

Source: Bloomberg as on 13/07/2020

# 90's TECH BOOM



# 90's TECH BOOM





# PORTFOLIO OVERVIEW

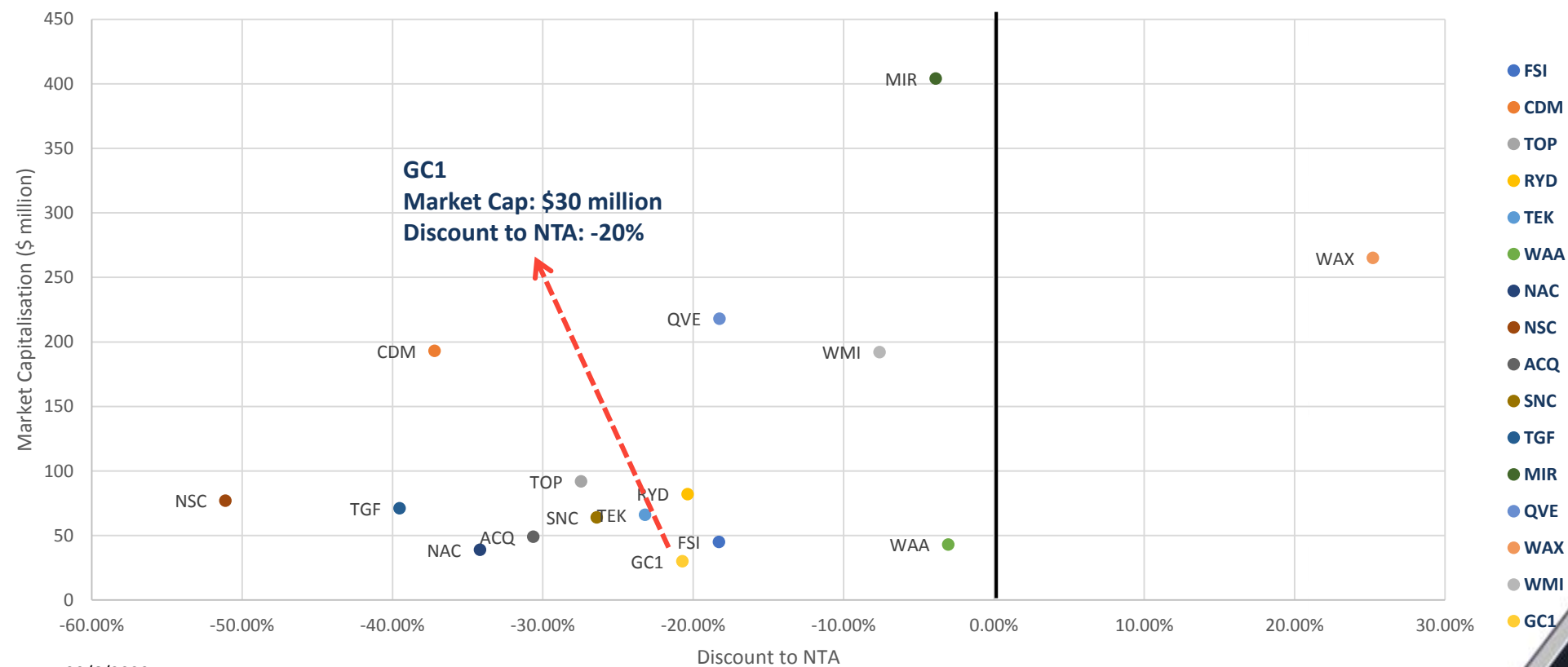
1. GC1 Portfolio Characteristics
2. GC1 Performance
3. What We Did Last Quarter
4. GC1 Share Price vs NTA
5. GC1 Returns
6. GC1 Cash Weighting

# GC1 PORTFOLIO CHARACTERISTICS

Portfolio Characteristics	As at 30/06/2020
Number of stocks	27
Top 3 positions	<ol style="list-style-type: none"><li>1. City Chic Collective</li><li>2. Credit Corp Group</li><li>3. Resolute Mining</li></ol>
Cash weight	35.43%
Median Market Cap	\$412 mil
Microcap weight	16%

# GC1 PERFORMANCE

Discount to NTA vs Market Capitalisation



As at 30/6/2020

# WHAT WE DID LAST QUARTER

1. Increase gold exposure
2. Selectively participate in placements
3. Reduce nano & micro cap exposure
4. Reduce some value companies

# GOLD EXPOSURE

- **Overweight on gold:** 14.1% in GC1 vs 8.9% in Small Ordinaries
- **Gold price supported by QE:** Increase in money supply weakens the U.S. dollars
- **Geopolitical uncertainty:** Safe haven assets

Company	Returns since first entry
Ramelius Resources Limited	72.73%
Perseus Mining Limited	35.18%
Resolute Mining Limited	33.58%
Saracen Mineral Holdings Limited	30.21%
Red 5 Limited	12.75%

As on 30/06/2020

# PLACEMENT

- **Companies offering discount:** Opportunities for investors with cash
- **Being selective:** Invest in high quality companies with short term liquidity problems

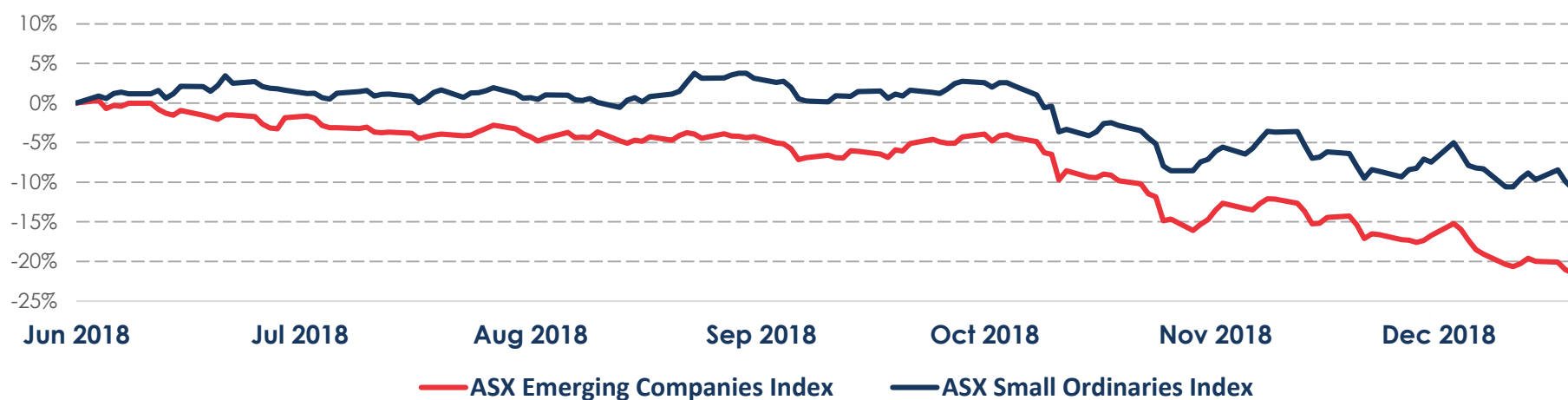
Company	Discount	Returns
Spirit Telecom	19%	127.3%*
IDP Education	2%	39.5%
Credit Corp	12%	32.2%*
Capitol Health	11%	16.1%

\*Unrealised gain as on 30/06/2020

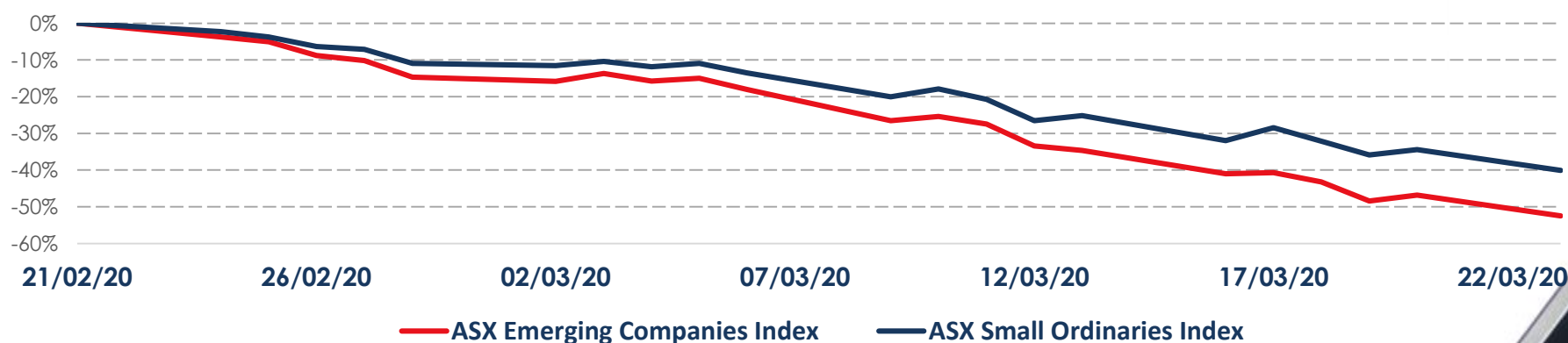
# REDUCTION IN NANOCAP & MICROCAP

- **Nanocap & Microcap underperformed during downturn:** Defensive move and capturing the upside return
- **Market liquidity problem:** When the market turned south, positions became more difficult to sell

2018 Downturn: Emerging Companies vs Small Ordinaries

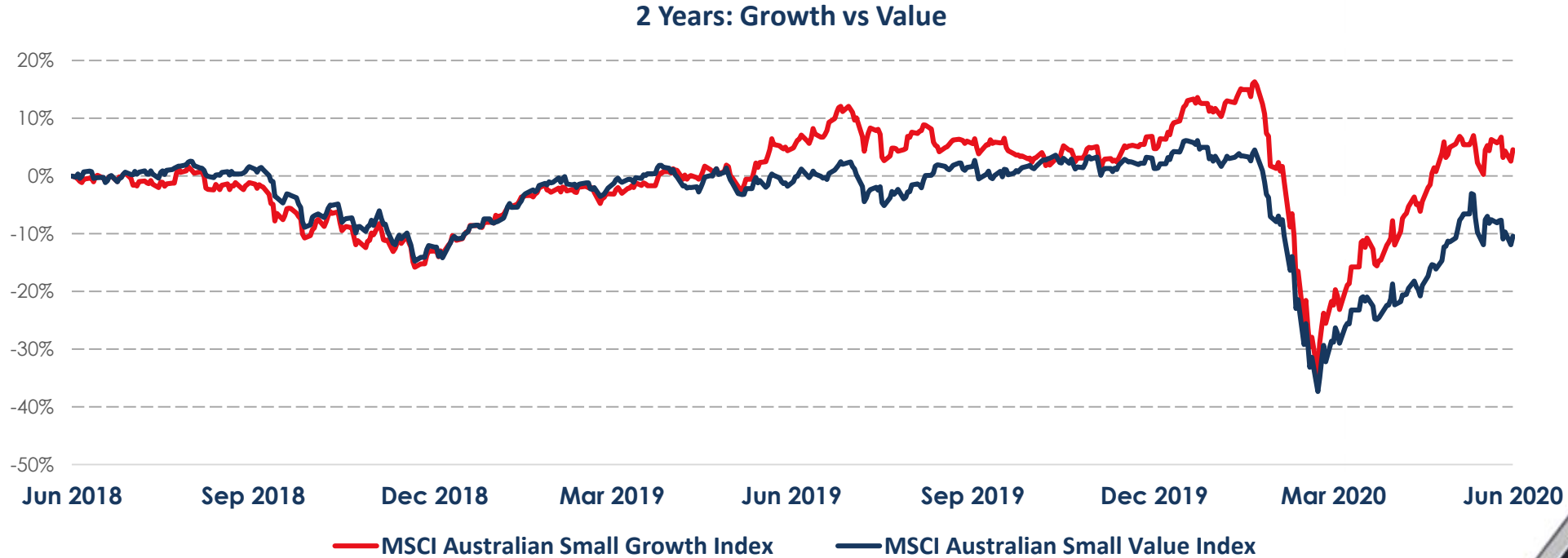


2020 Downturn: Emerging Companies vs Small Ordinaries



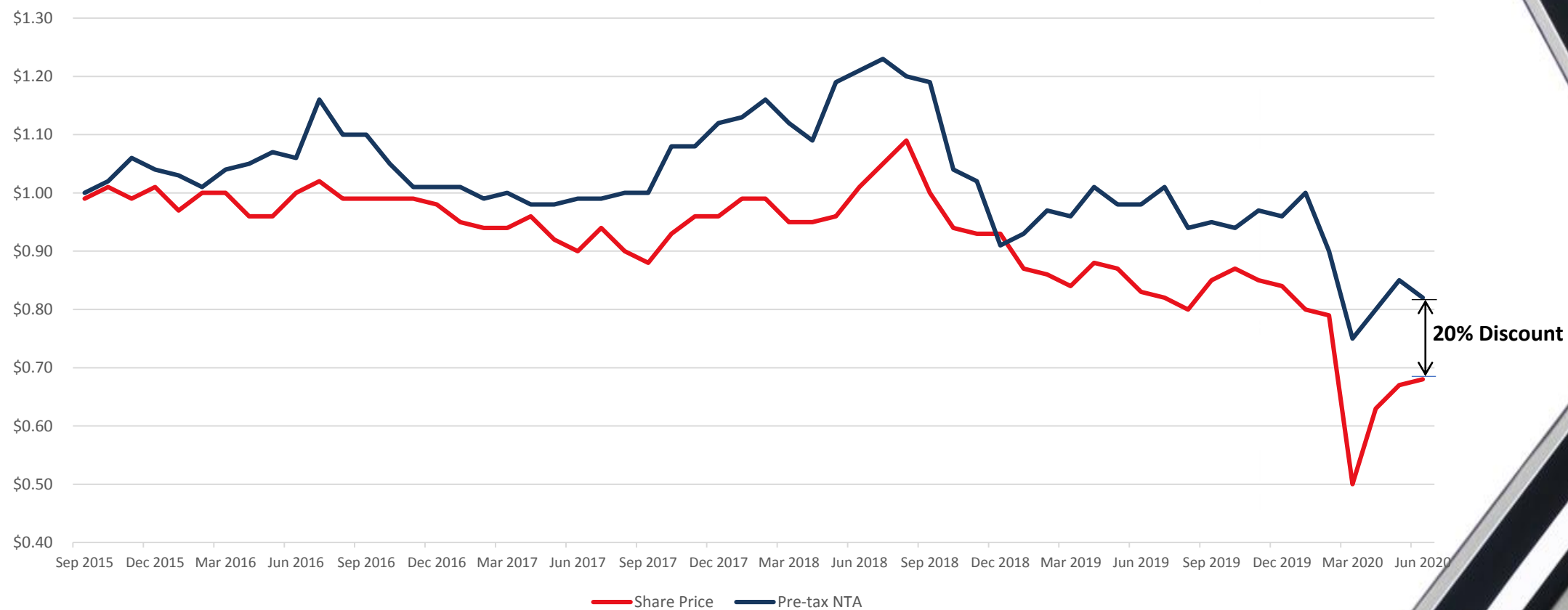
# REDUCTION IN VALUE COMPANIES

- Value stocks underperformed during recovery

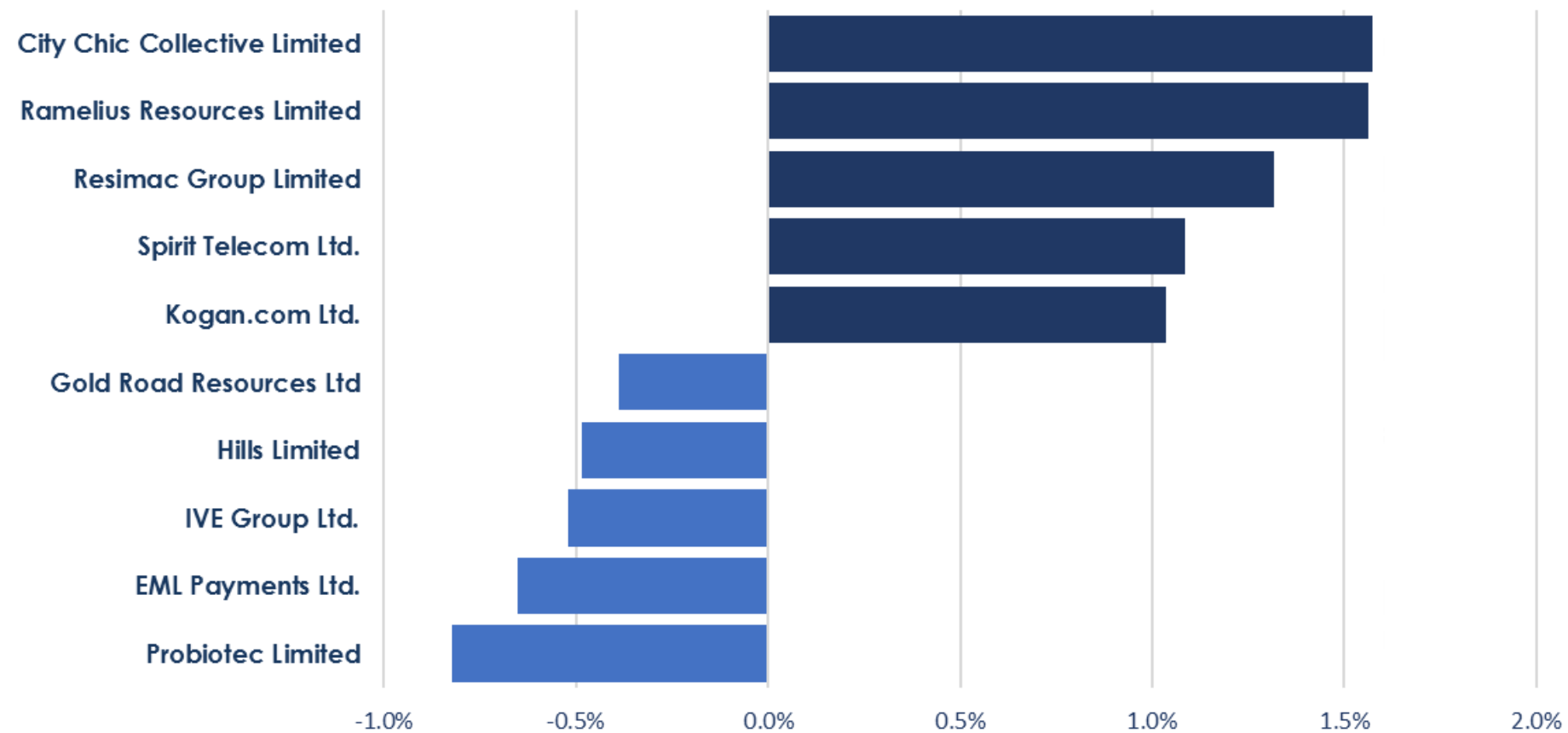


# GC1 SHARE PRICE V NTA

GC1 Share Price vs NTA



# CONTRIBUTION TO RETURN FOR THE QUARTER



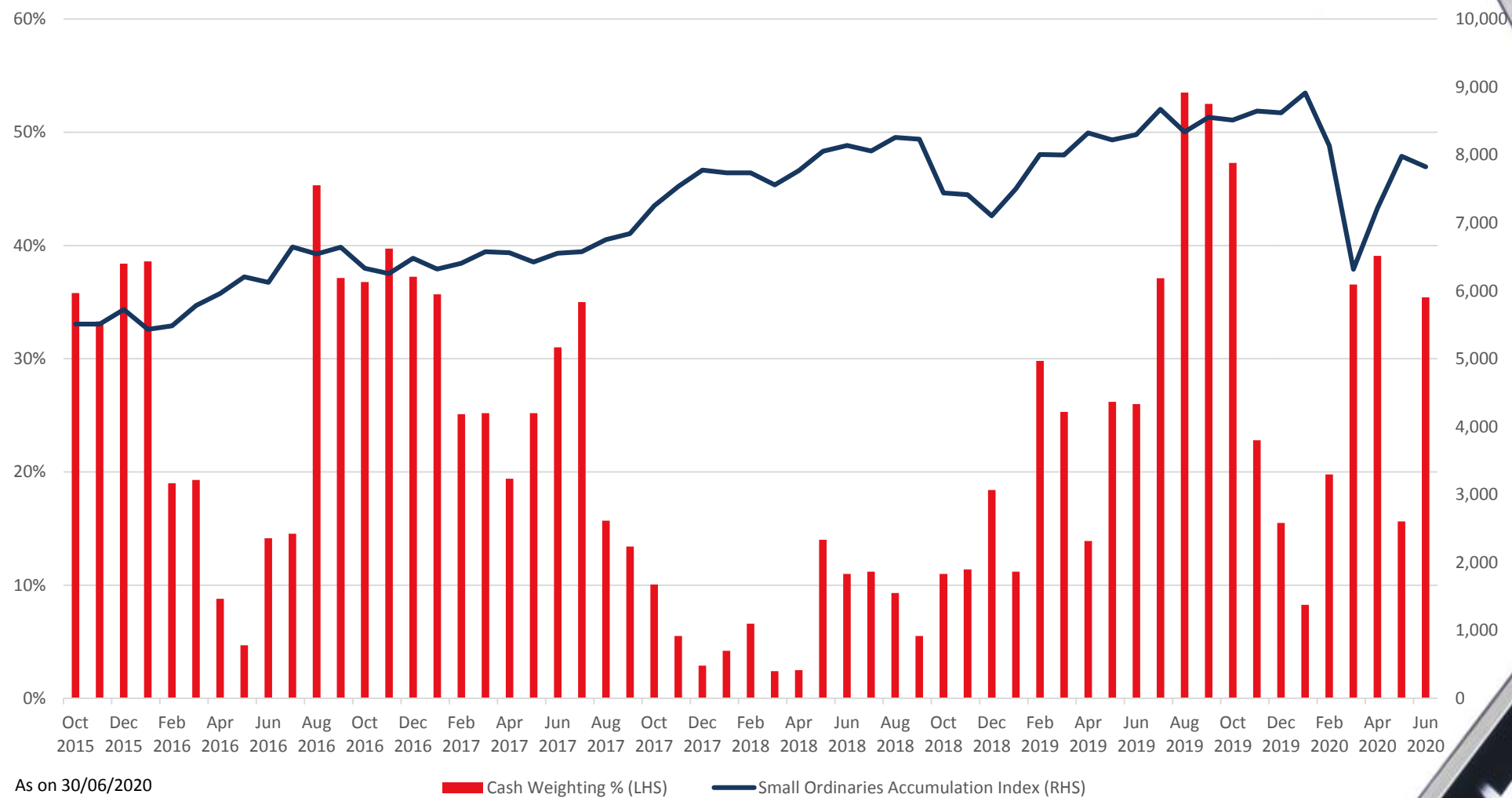
As on 30/06/2020

# RETURN FOR THE QUARTER

Company	Absolute Returns since first entry
Ramelius Resources	72.73%
Spirit Telecom	56.25%
City Chic Collective	50.55%
Uniti Group	46.39%

As on 30/06/2020

# GC1 CASH WEIGHTING





# STOCK OVERVIEW

1. City Chic Collective
2. Credit Corp Group
3. Resolute Mining

# City Chic Collective (M.Cap: \$634 m)

- **Reduced competitive pressure:** Recent high-profile US bankruptcies in retail sectors
- **Strong online platform:** No major contract losses in past 5 years
- **Cost reduction:** Rental negotiations and store closure
- **Strong balance sheet:** Small net debt and large debt facility

(\$m)	FY19	FY20E	FY21E	FY22E
Sales	148.5	203.0	242.8	285.5
Underlying NPAT	14.9	15.0	27.0	39.7
EPS (cents)	6.8	7.5	14.0	20.6
EPS Growth		9.9%	87.7%	46.9%
PER	42.6	42.3	23.5	16.0

# City Chic Collective (M.Cap: \$634 m)

City Chic Collective

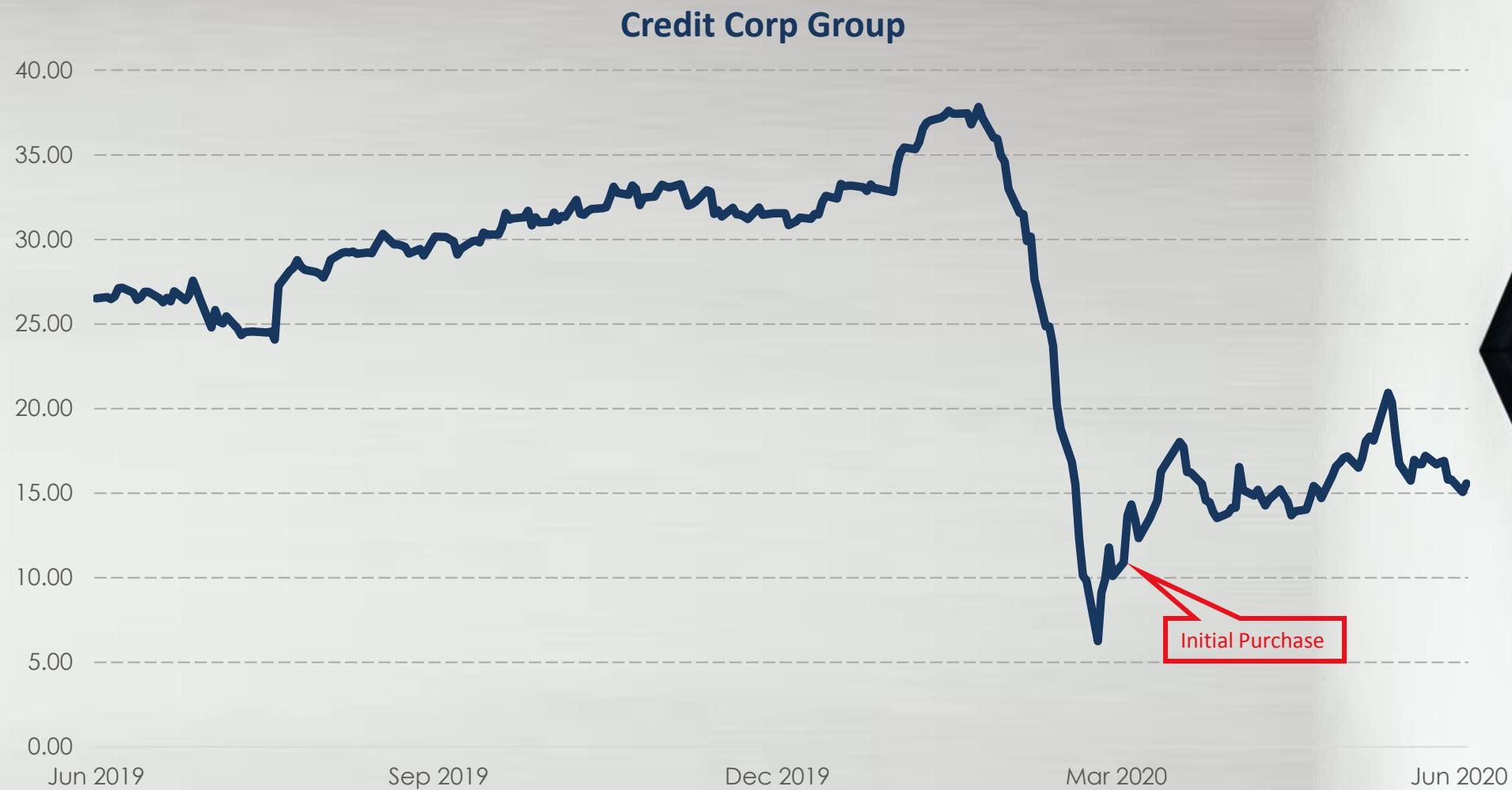


# Credit Corp Group (M.Cap: \$1,027 m)

- **Strong US cash collections:** US-listed debt collectors show strong cash collections, reflecting an improving industry outlook
- **Positive commentary from Australian banks:** Past due loans and losses remain modest
- **Strong support from government:** JobKeeper and JobSeeker support employment
- **Strong balance sheet:** Low net debt to financial assets compared to peers

(\$m)	FY19	FY20E	FY21E	FY22E
Revenue	324	376	335	369
Underlying NPAT	70.3	79.00	66.2	78.4
EPS (cents)	137.0	129.0	98.0	116.0
EPS Growth		-5.7%	-24.1%	18.1%
PER	11.2	11.8	15.6	13.2

# Credit Corp Group (M.Cap: \$1,027 m)



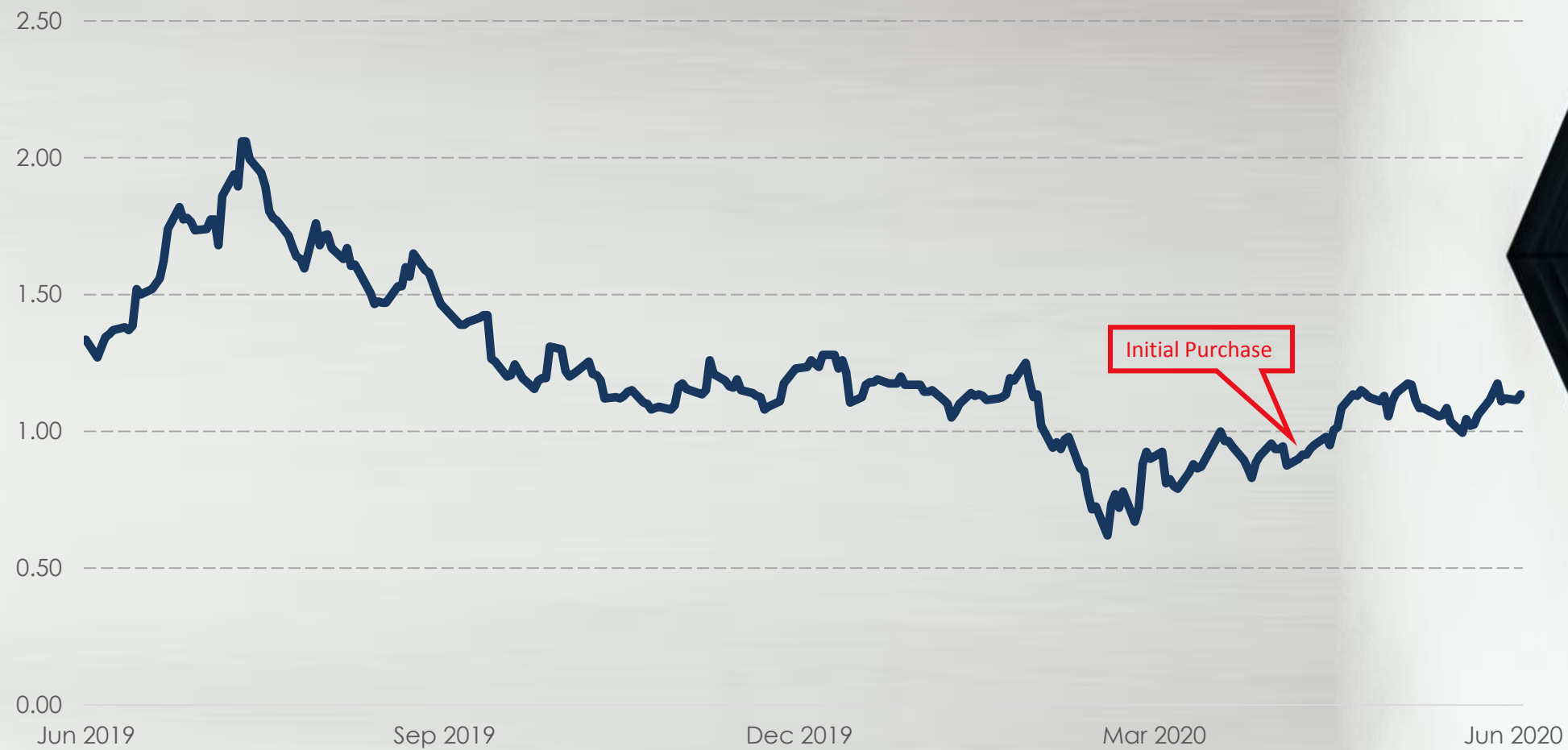
# Resolute Mining (M.Cap: \$1,318 m)

- **Gold exposure:** Benefit from QE from Central Banks and recent gold price movement
- **Minor impact from COVID-19:** Improvement in production from 105.3 koz in December quarter to 110.8 koz in March quarter. Guidance maintained
- **Strong balance sheet:** Net debt excluding investment is US\$212 mil, down from US\$321 mil

(\$m)	FY19	FY20E	FY21E	FY22E
Revenue	771	1,030	924	1,039
Underlying NPAT	-112.9	111.0	108.6	180.1
EPS (cents)	-12.5	10.7	10.5	17.4
EPS Growth			-2.1%	65.8%
PER		11.9	12.1	7.3

# Resolute Mining (M.Cap: \$1,676 m)

## Resolute Mining



# QUESTIONS

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