

## MONTHLY REPORT DECEMBER 2020

ASX Announcement Date: 14 January 2021

| NTA<br>(before tax)* | NTA<br>(after tax)** | Share price<br>(31/12/2020) | Cash Weighting | Number of Holdings |
|----------------------|----------------------|-----------------------------|----------------|--------------------|
| \$0.95               | \$0.92               | \$0.76                      | 8.85%          | 39                 |

\* As required by the ASX listing rules, this is the theoretical NTA before providing for the estimated tax on unrealised income and gains, and includes (\$0.05) per share deferred tax asset (comprised of prior years' tax losses and current year tax losses/profits)

\*\* Includes all tax balances and selling costs

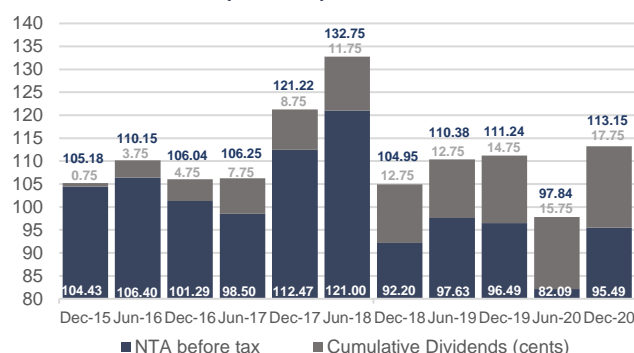
\*\*\* Excluding GST and franking

### Portfolio by sector

- Financials
- Consumer Discretionary
- Communication Services
- Industrials
- Health Care
- Information Technology
- Real Estate
- Materials
- Utilities
- Cash



### GC1 NTA (Pre-Tax) + Cumulative Dividends



## PORTFOLIO REVIEW

The market extended the strong run in December, posting the sixth consecutive positive return. In December, the result of the United States presidential election became clear. Joe Biden's victory is positive to the market and economy as it is widely expected the Biden administration will implement supportive economic policies.

Locally, the economic data showed positive signs of an Australian economic recovery. The ABS posted a positive September quarter GDP growth at 3.3%, putting an end to recession technically. The unemployment rate was also down in November to 6.8%, its lowest level since April, as Victoria drives employment.

The Small Ordinaries rose +2.76% for the month. Small Industrials advanced by +1.25%, with the Small Resources rising +8.73%. GC1 returned +1.18% for the month, underperforming the market by 1.58%.

## PORTFOLIO COMPANY UPDATES

Our top 3 largest contributors to performance during this month were Credit Corp (CCP), Pacific Smiles (PSQ) and Resimac (RMC), while Service Stream (SSM) was the largest detractor from portfolio performance.

### Credit Corp

CCP is a leading Australian receivables management and financial services provider to the credit impaired consumer segment. The company has two core divisions, debt buying and consumer lending. Under debt buying, the company acquires impaired debt or receivable portfolios. The debt is acquired at a discount to its face value and CCP earns a return by collecting the capital. Recently, CCP acquired the Australian ledger book of Collection House for a total consideration of \$160 million, plus the provision of a short-term loan of \$15 million. As a result, the company upgraded the FY21 profit guidance by \$10 million to \$70-\$85 million, 15% increase. The acquisition is funded by cash and debt, utilising the banking facilities of \$375 million.

We expect this company, especially the debt buying division, will be benefited from the economic recovery after the vaccine rollout. We are delighted with the acquisition. The company utilises the banking facilities to fund the acquisition without any equity dilution. The share price is up by 25% in December.

### **Pacific Smiles**

Pacific Smiles operates dental centers at which independent dentists practice and provide clinical treatments and services to patients. After opening most of the dental center at the end of FY20, PSQ showed a sharp increase in the same center patient fees from July to November. People are continuing to use dental centers despite Covid and the associated restrictions. Noted that the patient fee growth is a year to date number, indicating a promising recovery of the business.

The price-to-earnings ratio of the business may seem high on a historical basis. But we see the profitability of the company is hidden by the new center openings. 40% of PSQ centers operate for fewer than five years. Those centers have a high startup costs but they are growing their profitability. A dental center requires five years to reach maturity and it takes two years to breakeven. We are confident that PSQ manages the center well and therefore we assume the young centers will reach their maturity in five years. Not only are the existing centers are growing, the company is accelerating the new center openings in FY21. We expect the company growing strongly in the next five years, justified the high price-to-earning ratio for current year.

The company upgraded their FY21 outlook after four consecutive months of double-digit same patient fees growth. The market re-rated it and the share price rose by 29% in December.

### **Resimac**

We discussed RMC in the last NTA report. The company continued to perform strongly in this month, share price is up by 15% with no company announcement. The strong housing market activity is one of the reasons supporting the strong run of RMC. Both Melbourne and Sydney hosted over 1,000 auctions in a week with higher than 70% clearance rate. The auction activity continues to ramp up during the post-pandemic recovery. This is a strong signal to all housing related companies, for example AFG, MOC.

### **Service Stream**

SSM has secured its long term Unifield Field Operation agreement with NBN Co. for an initial period of four years plus 2-year extension options at NBN's election. The market was disappointed that SSM will share the work largely with three other providers. SSM's share is 28%, significantly lower than the market expectation (50%). As a result, the share price is down by 20% in December.

## **PORTFOLIO CHANGES (ALPHABETICAL ORDER)**

| Portfolio Additions  | Portfolio Reductions  |
|--|---|
| <ul style="list-style-type: none"><li>Adairs</li><li>Johns Lyng</li><li>Pacific Smiles</li></ul> | <ul style="list-style-type: none"><li>Locality Planning Energy</li><li>Service Stream</li></ul> |

## **PORTFOLIO PERFORMANCE**

|             | JUL   | AUG    | SEP    | OCT     | NOV    | DEC     | JAN    | FEB    | MAR     | APR    | MAY    | JUN    | TOTAL   |
|-------------|-------|--------|--------|---------|--------|---------|--------|--------|---------|--------|--------|--------|---------|
| <b>FY21</b> | 5.77% | 10.10% | -3.16% | 2.08%   | 7.93%  | 1.18%   |        |        |         |        |        |        | 25.72%  |
| <b>FY20</b> | 2.39% | -3.28% | 0.62%  | -1.22%  | 2.46%  | -0.03%  | 3.14%  | -8.86% | -21.32% | 6.39%  | 6.70%  | -3.47% | -18.29% |
| <b>FY19</b> | 1.61% | 0.74%  | -1.11% | -12.57% | -1.97% | -11.36% | 2.07%  | 4.81%  | -0.39%  | 5.63%  | -3.04% | 1.25%  | -15.00% |
| <b>FY18</b> | 0.72% | 1.21%  | 3.00%  | 7.70%   | 0.43%  | 4.01%   | 1.45%  | 2.27%  | -2.38%  | -2.14% | 8.63%  | 2.55%  | 30.39%  |
| <b>FY17</b> | 9.42% | 3.06%  | 3.03%  | -3.65%  | -3.55% | 0.58%   | -0.41% | -2.39% | 0.74%   | -0.78% | 0.62%  | 1.68%  | 7.96%   |
| <b>FY16</b> |       | 1.80%  | 1.23%  | 2.24%   | 4.38%  | -1.57%  | -1.58% | -1.31% | 5.55%   | 0.63%  | 2.28%  | 1.43%  | 15.87%  |

## TOP HOLDINGS DETAILS (ALPHABETICAL ORDER)



### Adairs

ASX: ADH

Adairs is a leading specialty retailer of home furnishings in Australia and New Zealand with a national footprint of stores across a number of formats and a large and growing online channel. Their strategy is to present customers with a differentiated proposition, which combines on-trend fashion products, quality staples, strong value and superior customer service



### Frontier Digital Ventures

ASX: FDV

Frontier Digital Ventures (FDV) is a leading owner and operator of online marketplace businesses in fast growing emerging markets.



### Lovisa Holdings

ASX: LOV

Lovisa Holdings Limited (LOV) is a fast fashion jewellery retailer in a number of international markets. It has a total of 390 stores, which includes 152 in Australia, 23 in New Zealand, 19 in Singapore, 27 in Malaysia, 62 in South Africa, 42 in the UK, 48 in the USA, 21 in France which are owned by the Company and they also have 41 franchise which includes 7 in Asia & 34 in Middle East. Lovisa provides fashion with different Earrings, Hair Bands, Necklace, Wrist and Ring and Body Fashion.



### oOh!Media

ASX: OML

oOh!media is a leading Out of Home media company that is enhancing public spaces through the creation of engaging environments that help advertisers, landlords, leaseholders, community organisations, local councils and governments reach large and diverse public audiences.



### Pacific Smiles

ASX: PSQ

Pacific Smiles Group Limited (PSQ) operates dental centers at which independent dentists practice and provide clinical treatments and services to patients. Revenues and profits are primarily derived from fees charged to dentists for the provision of these fully serviced dental facilities.



### Redbubble

ASX: RBL

Founded in 2006, the Redbubble Group owns and operates the leading global online marketplaces, Redbubble.com and TeePublic.com, powered by independent artists. The Redbubble community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationery, housewares, bags, wall art and so on.



### Reece

ASX: REH

Reece Limited (REH) is a supplier of plumbing, bathroom, heating, ventilation, waterworks, air conditioning and refrigeration products with operations in Australia, New Zealand and the US. Reece Limited activities include importing, wholesaling, distribution, marketing and retailing.



### Resimac

ASX: RMC

Resimac Group Ltd ("Resimac") is a leading non-bank residential mortgage lender and multi-channel distribution business. It operates under a fully integrated business model comprising origination, servicing and funding prime and nonconforming residential mortgages in Australia and New Zealand.



### Sequoia Financial Group

ASX: SEQ

ASX-listed Sequoia Financial Group Ltd (ASX: SEQ) is an integrated financial services company providing products and services to self-directed retail and wholesale clients and those of third-party professional service firms.

## HOW TO INVEST

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

Glennon Small Companies Limited Resettable Redeemable Convertible Preference Shares (RRCPS) are traded on the ASX under the ticker code 'GC1PA'.

If you are a first-time investor, you purchase securities through a stockbroker in the same way as you buy securities 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

**Contact:** Michael Glennon  
(Chairman)  
**Telephone:** (02) 8027 1000  
**Email:** [info@glennon.com.au](mailto:info@glennon.com.au)  
**Website:** [www.glennon.com.au](http://www.glennon.com.au)  
**Address:** Level 17, 25 Bligh Street,  
Sydney, NSW, Australia, 2000

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