

QV Equities Investor update

October 2021



IML INVESTORS
MUTUAL LTD

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QV Equities Limited

- ❑ Listed 22 August 2014
- ❑ Focused on Ex-20 stocks
- ❑ Often less researched opportunities
- ❑ Focus on long-term capital growth & income
- ❑ A diversified set of well-established, good quality companies

Investment Philosophy

We seek to buy and own:

Companies with a **competitive advantage**,

with **recurring earnings**,

run by **capable management**,

that can **grow**,

.....at a **reasonable price**.

What sort of companies are we looking for

- ☐ Industry leaders
- ☐ Recurring earnings
- ☐ Experienced management
- ☐ Strong balance sheets
- ☐ Company specific growth drivers

Focus on high quality industrials

Packaging	Amcor, Pact, Pro-Pac
Gaming	SkyCity , Tabcorp, Crown
Staples	Bega, United Malt, Metcash
Healthcare	Integral Diagnostics, Australian Clinical Labs, API, Sonic
Utilities	AusNet, Spark Infrastructure, Aurizon, Ampol
Miscellaneous	TPG Telecom, Cleanaway, Orica

Top 10 stocks

Top 10 holdings	
AusNet	5.6%
Orica	5.3%
Pact	4.6%
Aurizon	4.2%
Amcor	4.1%
Crown	3.7%
Tabcorp	3.6%
Sonic Healthcare	3.5%
Ampol	3.5%
Southern Cross Media	2.8%

Performance to 30 September 2021

PERFORMANCE*	QVE's NTA (pre tax)	BENCHMARK
1 Month	+2.6%	-1.1%
3 Months	+7.3%	+4.8%
1 Year	+31.7%	+27.9%
3 Years	+4.2%	+9.6%
Since Inception Total Return p.a.	+6.9%	+10.7%

*The before and after tax NTA numbers relate to the provision for tax on net profit in addition to deferred tax on the un-realised gains/losses in the Company's investment portfolio. The Company is a long term investor and does not intend disposing of its total portfolio. Under current Accounting standards, the Company is required to provide for tax on any gains/losses that might arise on such a theoretical disposal, after utilisation of brought forward losses. All figures are unaudited and approximate.

The above returns are after fees and assumes all declared dividends are reinvested and excludes tax paid for pre-tax NTA. Past performance is not indicative of future performance.

Past performance is not a reliable indicator of future performance

Source: QVE NTA as at 30 Sept 2021



Recent strong performance helped by

- ❑ A number of takeover offers
- ❑ Selective participation in new IPO's and placements
- ❑ Rerating of many portfolio companies' share prices
- ❑ Buyback continues to be accretive to NTA and performance

Current takeover offers for stocks held in the portfolio

☐ Ausnet

☐ Spark Infrastructure

☐ Australian Pharmaceutical Industries

☐ Oil Search

☐ Z Energy

Recent IPO's and placements QVE participated in

☐ Australian Clinical Labs

☐ Trajan Healthcare

☐ Latitude Group

☐ National Storage

☐ Health Co. Healthcare

New portfolio stock - Bega Cheese



❑ Acquisition of Lion Dairy and Drinks has transformed Bega

- 2nd largest milk processor in Australia;
- owner of market leading food brands (>80% of sales)



❑ Earnings growth to come from:

- cost synergies
- milk optimisation driven by increased scale
- exposure to growing categories



New portfolio stock - Bega Cheese



Portfolio of leading iconic brands in growth categories

Category	Category size \$m ¹	Category growth ¹	Bega share ¹	Brand portfolio
Fresh white milk ²	1,913	0.4%	13%	
Yoghurt	1,472	4.7%	26%	
Milk based beverages ²	836	5.6%	50%	
Spreads	633	1.7%	31%	
Chilled juice	605	3.9%	24%	
Creams and custards	509	5.5%	11%	
Plant based milk ³	341	20.2%	25%	
Water ice	50	-8.5%	82%	

¹ Data extracted from IRI Total Business Scan (AU Grocery Unweighted + Structured Convenience), MAT to June 2021 and AC Nielsen Scan data MAT to June 2021

² Excludes non dairy

³ Includes fresh chilled and UHT shelf stable segments

⁴ Vitasoy Australia Products Pty Ltd is a joint venture between a 100% owned subsidiary of Bega Cheese Limited and Vitasoy International Holdings Pty Ltd

New portfolio stock - United Malt Group



- ❑ The world's fourth largest commercial maltster – North America, UK and Aust.
- ❑ Key supplier to:
 - large breweries & food companies;
 - craft breweries &
 - Scotch Whiskey distillers
- ❑ Profit growth from:
 - return to normal consumption
 - internal initiatives to deliver \$30m of incremental earnings by FY24
 - capacity expansions
- ❑ FY23 Trading on 14.4 x, dividend yield: 4.2%

*Source: United Malt & IML
Estimates as at 25 Oct 2021*



Increased portfolio holding – Origin Energy

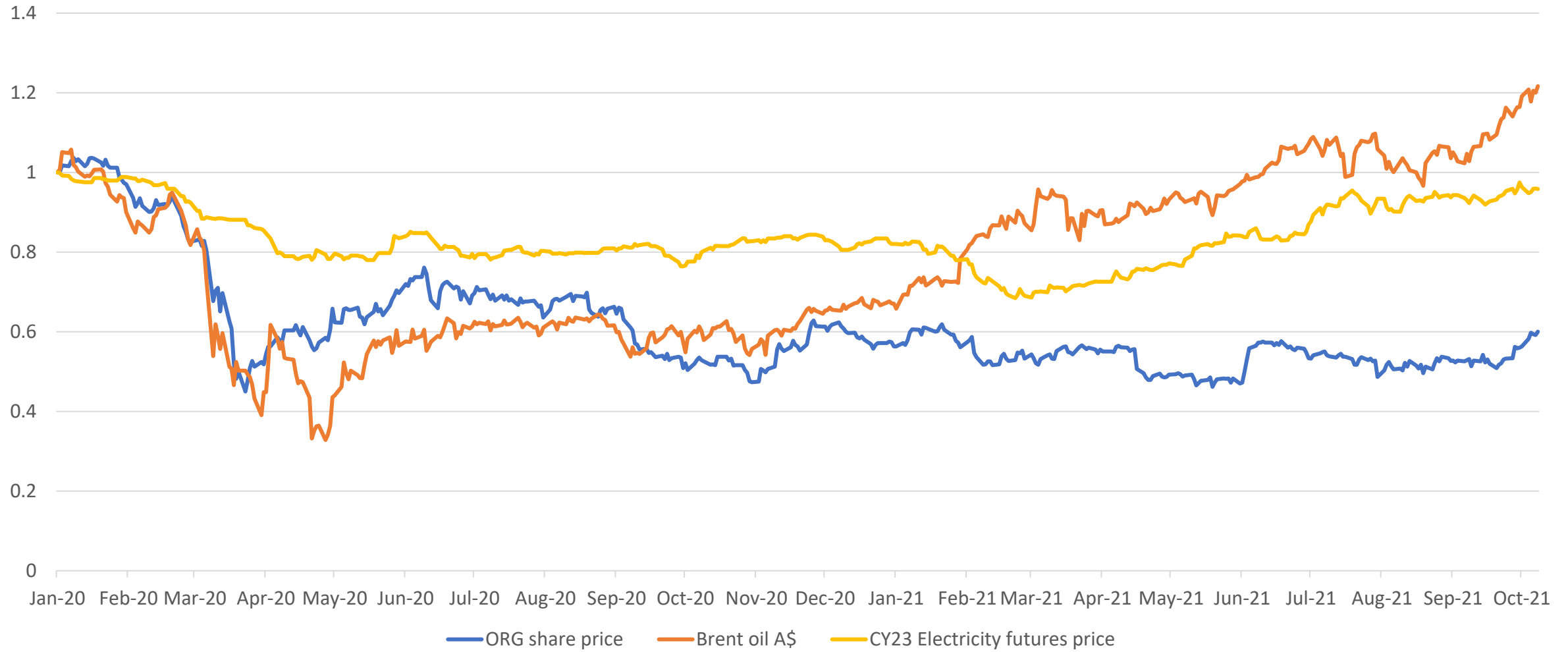


- ❑ Integrated electricity & gas retailer with scale and flexible generation
- ❑ Over 4 million retail customers in Australia
- ❑ A 27.5% shareholder in APLNG with contracted offtake for 20 years
- ❑ Shareholder (20%) in Octopus Energy – UK's 5th largest energy retailer

Origin trades on 11% FY23 FCF yield (post APLNG sell down), div yield c.4%

Latent value remains – share price has lagged underlying commodity prices

ORG share price vs key commodities



Source: IRESS & IML;
Estimates as at 25 Oct 2021

Increased portfolio holding - Orica



- ❑ Impacted by covid issues and China coal bans – short term issues
- ❑ Orica is the global leader in mining explosives and related
- ❑ Investing in R&D to drive new products and grow market share
- ❑ Strong balance sheet (Net debt to EBITDA 1.5x)
- ❑ Trading on 15x on FY23 earnings

- ❑ Merger of TPG & Vodafone => new major telco offering a full range of services

- ❑ Profit growth drivers :

- cost outs (\$125-150m by FY'23)



- cross-sell to legacy customer bases;



- fixed wireless opportunity – an NBN alternative



- improving mobile pricing following 5G rollout & return of overseas visitors

- ❑ Highly cash generative business trading on 15 times FY'22 "cash" profit and div yield > 3 %

When value stocks re-rate – September quarter 2021 returns

Company	Share price return
AusNet	+44%
Home Co.	+42%
Australian Pharmaceutical Industries	+32%
Australian Clinical Labs	+32%
Z Energy	+29%
Incitec Pivot	+24%
Events Hospitality	+21%

Past performance is not a reliable indicator of future performance

Some very attractive dividends on offer from some excellent companies....

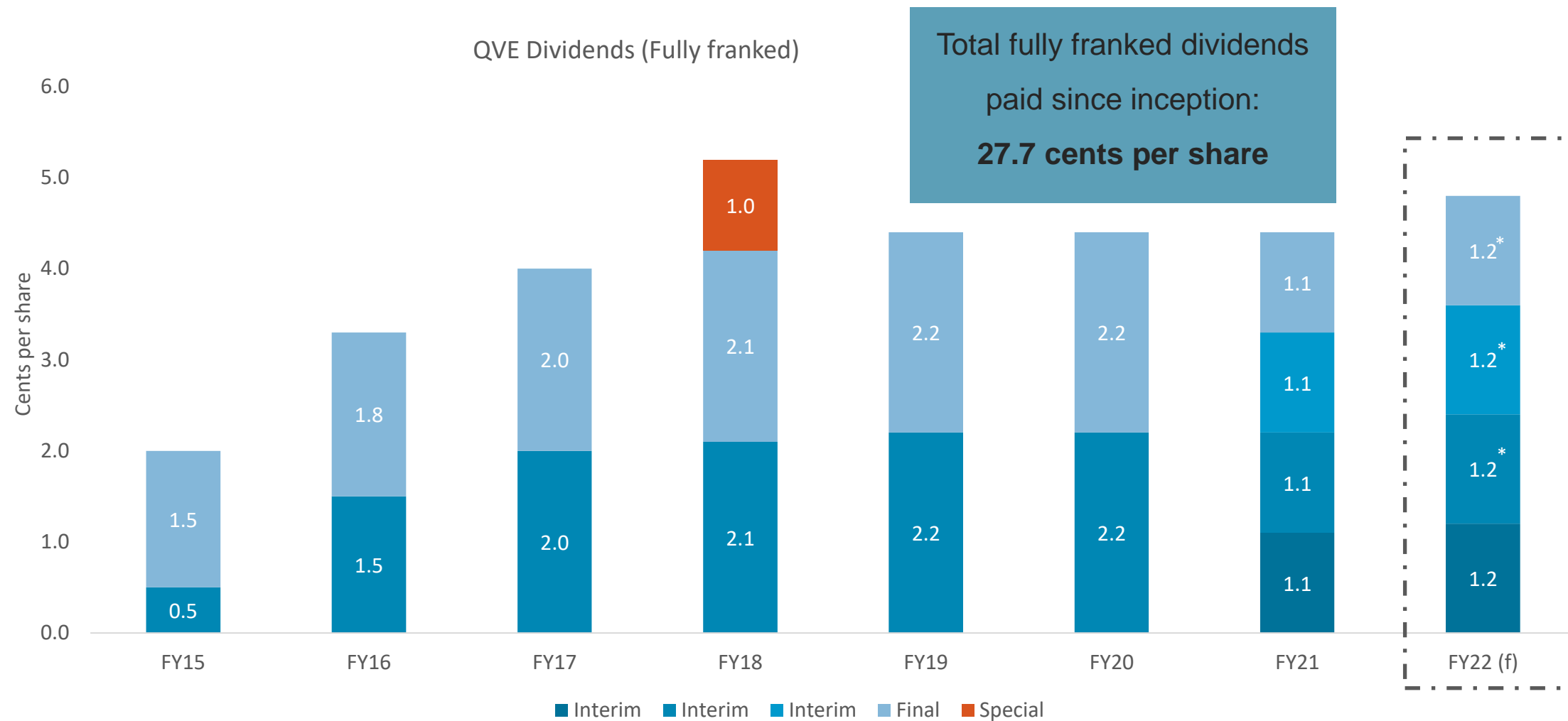
Company	Yield FY22*	Yield FY23*
Aurizon	5.7%	6.5%
Amcor	4.1%	4.3%
Metcash	4.5%	4.5%
Charter Hall Retail	5.8%	6.3%
Home Co. Daily Needs REIT	5.6%	6.1%
Shopping Centres Australasia	5.3%	5.6%

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** Forward looking estimates
Source: Bloomberg consensus
As at 25 October 2021*



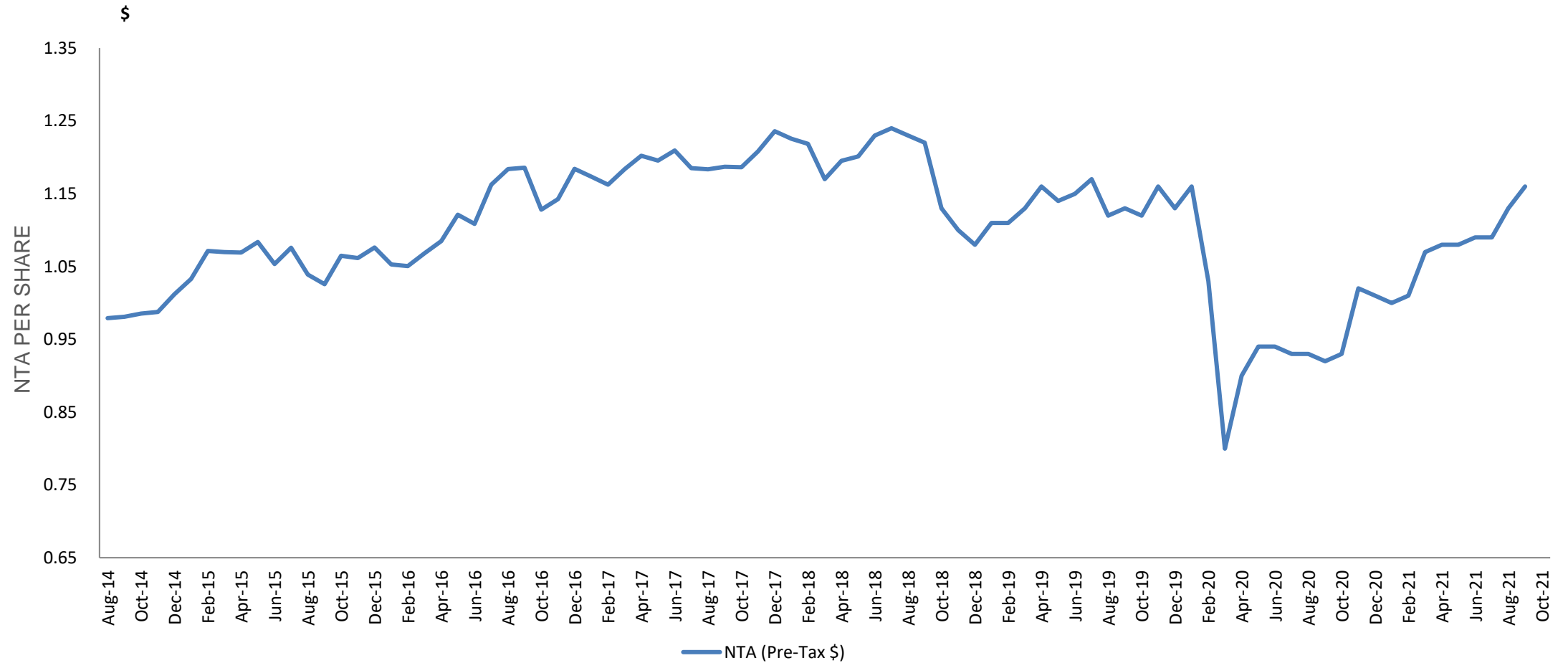
Dividends to QVE Shareholders historical & FY22 Outlook



Past performance is not a reliable indicator of future performance

Source: QVE Annual Reports; ASX Announcement 21 October 2021
 * Intended dividend, subject to the Company maintaining sufficient profit reserves and there being no material impacts, changes or unforeseen events.

Historical NTA

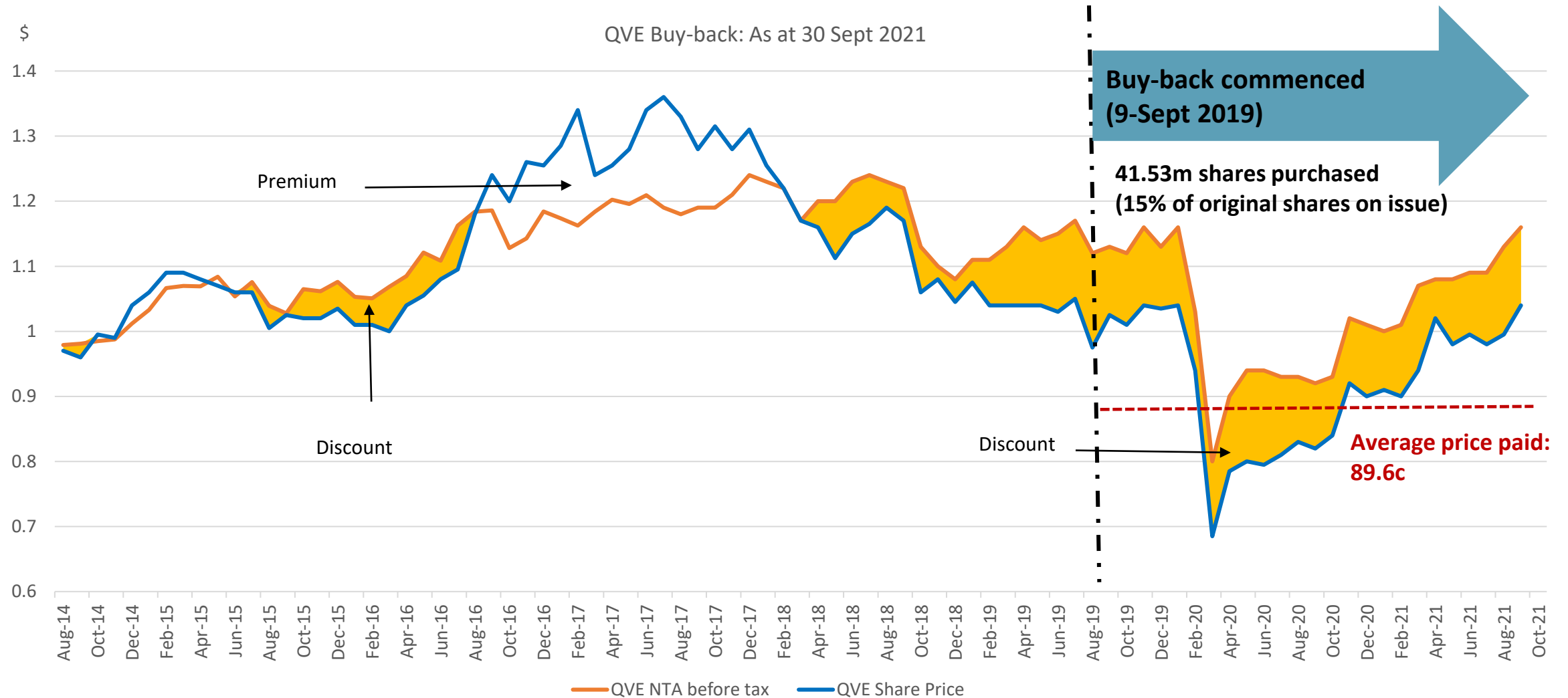


Past performance is not a reliable indicator of future performance

Source: IML;
As at 30 Sept 2021



Share Buy-back progress: As at 30 September 2021



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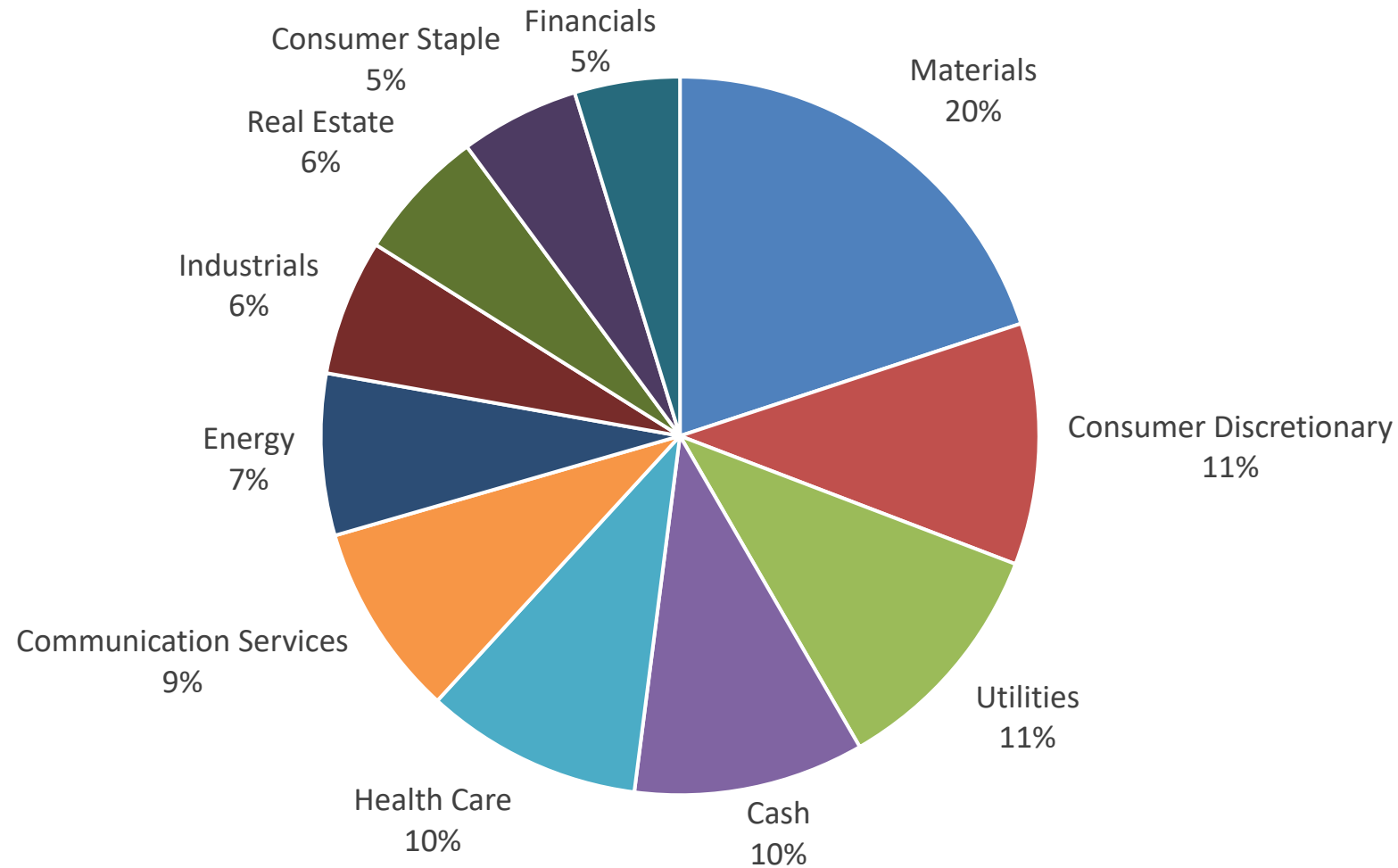
Source: IML;
As at 30 September 2021



QVE's strategy

- ❑ Only holding well-established, good quality stocks
- ❑ Very selective on cyclical companies
- ❑ Cash being used very selectively
- ❑ Writing call options opportunistically to generate extra income
- ❑ Cash being used to buy back shares at the current discount to NTA
- ❑ Always on the look out for new opportunities

QVE Portfolio as at 30 September 2021



Source: Investors Mutual Limited; As at 30 September 2021
Due to rounding the numbers in the chart above may not add up to 100%

Q & A

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