

SANDON CAPITAL

Sandon Capital Investments Ltd

Shareholder update
October/November 2022



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Volatility and uncertainty in global financial markets have become the new normal

KEY THEMES DRIVING VOLATILITY

1

Geopolitics

2

Inflation &
interest rates

3

COVID-19

Inflation concerns and geopolitical conflict continue to cause ructions in global financial markets



Investors' time frames are very short and their focus is on data points rather than value

Our fundamental approach will continue to uncover attractive opportunities



With shareholder activism unlocking value

Dividend timetable

FULLY FRANKED FINAL DIVIDEND

2.75cps

PAYABLE

7 November 2022

ATTRACTIVE FULLY FRANKED YIELD

8.1%

10.1% including franking

Result Highlights

- Gross investment returns represented a loss of 20.4% to 30 June 2022, compared to loss of 7.4% return from the All Ordinaries Accumulation Index and a loss of 19.5% for the Small Ordinaries Accumulation Index
- Net post tax returns represented a loss of 17.8% to 30 June 2022
- Since listing, SNC has declared/paid total fully franked dividends of 50.8 cents per share
- Upon payment of the final FY22 dividend, SNC will have distributed 19.4 cents per share of imputation credits since inception

Final Dividend of 2.75 cents per share

- Shareholders holding SNC shares on the Record Date of 24 October 2022 will receive a fully franked final dividend of 2.75 cents per share
- The DRP will apply to this dividend

Strong Dividend Capacity Remains

- Profits reserve 27.4 cents per share¹
- Franking credits 6.3 cents per share²
- ~3.5 years of full dividend paying capacity at the current dividend rate

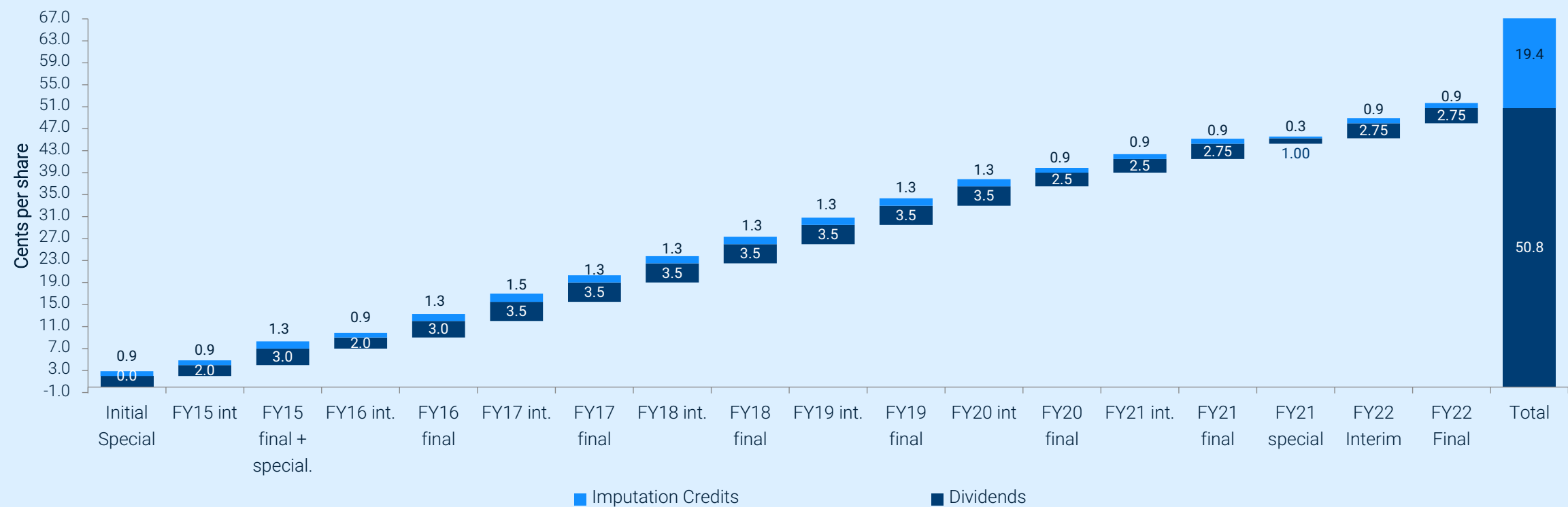


¹ As at 30 September 2022, reduced by the FY22 final dividend of 2.75 cents per share

² The balance of the franking account is 6.3 cents per share after payment of the FY22 final dividend (all other things being equal)

Dividends

Dividend policy is to pay a growing stream of fully franked dividends

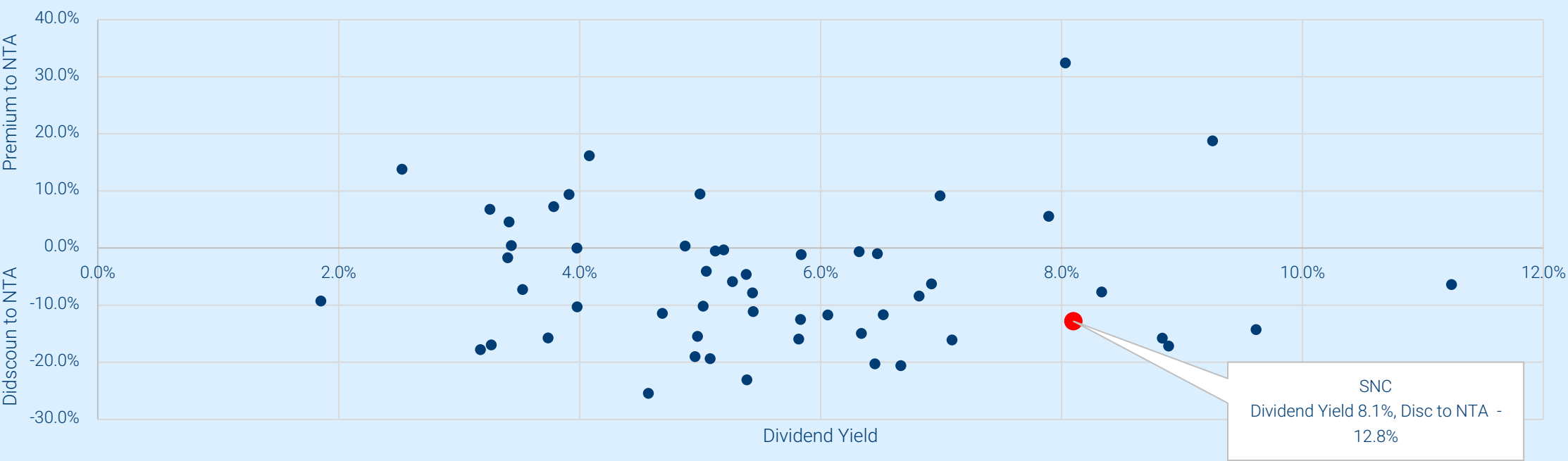


* The Board anticipates paying dividends of a similar amount to the most recent final dividend, subject of course to prudent business practice and the availability of profits and franking.

SNC Opportunity

SNC offers one of the highest fully franked yields

Current share price is an opportunity to buy at a 8.1% annualised fully franked yield at a 12.8% discount to NTA¹



Sources: Sandon Capital analysis, Bloomberg price data,
1. Assumes 30 September 2022 Pre-tax NTA (\$0.78), share price of \$0.68 (25 October 2022)

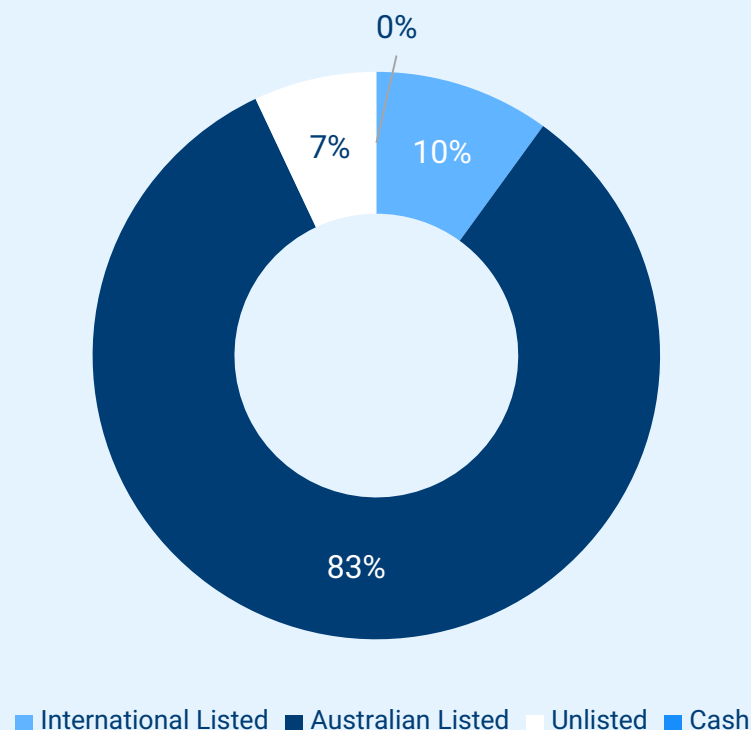
Note: The Board anticipates paying dividends of a similar amount to the most recent interim dividend, subject of course to prudent business practice and the availability of profits and franking.

Portfolio Snapshot

KEY POINTS

- Exposure to industrial economy and tailwinds from resources and government stimulus
- Reporting season
 - Results were positive overall
 - Embedded growth opportunities remain
- Investment Manager sees attractive opportunities to deploy additional capital

Portfolio Composition



Gross Portfolio composition as at 30 September 2022. All figures are approximate

TOP 5 POSITIONS¹

COG Financial Services Ltd (14%)

Fleetwood Ltd (9%)

A2B Australia Ltd (9%)

Spectra Systems Corp. (8%)

Coventry Group Ltd (6%)

1. Positions as of 30th September 2022

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Investment Outlook



DATE ACQUIRED

February 2014

COG Financial Services Ltd

(ASX:COG)

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ABOUT

- COG has reinvented itself from being an almost-failed listed investment company into Australia's largest SME finance broker and aggregator (FB&A)
- Estimated 18% market share
- The COG broker network comprises independent brokers and those in which COG has equity.
- COG also provides SME lending for equipment finance and is building a credit funds management platform through its Westlawn Finance subsidiary (Lending & Funds Management)

THE INVESTMENT OPPORTUNITY

- The COG broker network delivered more than \$6bn per annum of net asset finance to SMEs across Australia
- Its brokers have relationships with tens of thousands of SMEs across Australia

CURRENT STATUS

COG continues to build on its two-pronged strategy, FB&A and Lending & Funds Management

Westlawn Finance is transforming its successful, long established debenture program into a fully fledged funds management operation

Client focus – a virtuous circle: COG's strategy delivers its brokers a wide range of funding options for their clients, which in turn attracts more brokers

Recent quarterly trading update reported 30% YoY growth in NPATA

Absent a recession, we expect the strong growth exhibited in 1Q23 to continue into the foreseeable future

COG trades at a 5.5% fully franked yield and has significant tailwinds driving growth



DATE ACQUIRED

June 2016

Fleetwood Corporation Ltd

(ASX:FWD)

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ABOUT

FWD operates across three divisions:

- Building Solutions – Australia's largest constructor of pre-fabricated buildings
- Accommodation Solutions – owner of Searipple village and operator of Osprey village
- Recreational Vehicle (RV) Solutions – caravan parts distributor

THE INVESTMENT OPPORTUNITY

- Strong end market tailwinds
- The company remains materially undervalued
- Operational improvements have potential to yield significant improvements in financial performance

RECENT DEVELOPMENTS

FWD been working through poor project selection and execution in Building Solutions.

The optimisation of the Building Solutions operational structure and footprint has the potential to deliver substantial earnings growth

Woodside's recently sanctioned Scarborough project will have significant indirect positive effects on Searipple

Cost inflation and supply chain issues may have short term effects

Market price is undemanding. FWD has ~\$55m in cash, a significant franking balance and a low EV/EBITDA multiple (~5X) on depressed earnings



DATE ACQUIRED

August 2020

A2B Australia Ltd

(ASX:A2B)

ABOUT

- A2B is a leading provider of personal transportation services and solutions through its taxi despatch and payments systems
- Today, the business is focused and on the road to recovery after almost a decade of operational underperformance and negative exogenous forces

THE INVESTMENT OPPORTUNITY

- Although the business had been in decline for years, COVID-19 restrictions provided a compelling buying opportunity with significant recovery potential
- A2B has the ability to be an attractive, albeit low-growth, cash generator
- Value underpinned by significant property holdings whose true worth has not been reported in financial statements

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ACTIVISM IN ACTION

Sandon Capital had been monitoring A2B for some time. A combination of global ride share platforms and COVID-19 restrictions provided us the opportunity to buy at attractive prices

Growing pressure from shareholders spurred a strategy presentation from previous management, which only exacerbated investor concerns

Shareholder pressure led to changes at Board and management level. Mark Bayliss was appointed Executive Chairman and conducted a wholesale review of the Company. A “*Better before Bigger*” strategy has been implemented

Underperforming businesses with poor outlooks have been sold or closed. The property assets are currently for sale with the bulk of the proceeds to be returned to shareholders as a fully franked dividend. A refocused core business is in the nascent stages of a turnaround



Spectra Systems Corp.

(LSE:SPSY)

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ABOUT

- Spectra provides security technology including software and advanced materials
- Spectra's products and services are used in banknotes, product authentication and gaming
- The company has a market capitalisation of US\$75m, net cash >US\$15m and a highly profitable business

THE INVESTMENT OPPORTUNITY

- Spectra has emerged as a standout company. Its technology is unique, patented and integral to the industries in which it operates.
- Spectra has demonstrated genuine operational leverage, with operating costs held steady whilst revenue has grown strongly

ACTIVISM IN ACTION

Sandon's interest in Spectra was acquired many years ago in a forced sale. Spectra is one of our rare investments where intervention is not required

We have a long term, supportive relationship with management. This patience has been rewarded through a several fold increase in the value of the shares

Spectra has numerous organic and inorganic growth opportunities ahead of it:

- Pricing increases
- Increased adoption of covert materials by current and new central banks
- Expansion of lottery software business
- Supply of upgraded sensors
- Fusion™ polymer substrate
- M&A

SNC owns approximately 9.7% of Spectra

DATE ACQUIRED

February 2016



DATE ACQUIRED

January 2017

Coventry Group Ltd

(ASX:CYG)

ABOUT

- CYG distributes industrial products and services to the mining, agriculture, construction, transport and manufacturing industries
- Its products include fasteners, trade hardware and cabinet hardware systems
- The company also provides hydraulic, fire suppression and other fluid systems and services

THE INVESTMENT OPPORTUNITY

- CYG operates in fragmented industries with strong end market tailwinds
- It has undergone a significant, time-consuming turnaround lasting many years
- Growth opportunities exist both organically and through acquisition

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ACTIVISM IN ACTION

Sandon Capital sought and achieved changes at Board level in late 2014, putting an end to the previous flawed acquisition strategy and returning cash to shareholders via a fully franked dividend

After a false start, the current management team have enacted a long and difficult turnaround. The business is now highly profitable and resumed paying dividends after being loss making for a number of years

Through a focus on improved customer service, CYG has regained market share lost to competitors last decade

Organic growth has been supplemented through a number of acquisitions, which have also provided entry into new markets. Given the fragmented nature of CYG's markets, we expect bolt-on acquisitions to be a key driver of growth into the future



DATE ACQUIRED

November 2017

IDT Australia Ltd

(ASX:IDT)

ABOUT

- IDT operates a sterile-ready cGMP manufacturing facility in Boronia (Melbourne) and is a contract pharmaceutical manufacturer
- IDT has produced Australia's first home-grown mRNA vaccine candidate, developed by Monash Institute of Pharmaceutical Sciences (MIPS)
- The company has a market capitalisation of \$24m and net cash of ~\$9m

THE INVESTMENT OPPORTUNITY

- IDT's Boronia facility has the capability to manufacture active pharmaceutical ingredients (API), which are the building blocks of medicines
- Domestic pharma manufacturing capability is of strategic importance

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ACTIVISM IN ACTION

Our engagement with IDT has been conducted largely in private. IDT has been loss making for most of the past decade and failed to capitalise on a number of opportunities in recent times

Sandon Capital had previously said that *"...we may look to take a more active interest in shaping that future"*

Recently, there has been significant change at IDT. The CEO and CFO have departed, one director has retired, another will depart after the AGM

Well credentialed directors with health industry experience, Mark Simari and Geoff Sam, were recently appointed to the Board. These new directors have our full confidence

Funds managed by Sandon Capital recently increased their ownership stake in IDT to 13.6%

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About us

"In my early career I identified that my investment outcomes may have been improved if I tried to influence the company to do things differently. As a result I started Sandon Capital, the first activist funds management business in Australia"

— GABRIEL RADZYMSKI, CIO & FOUNDER

SINCE 2008

Sandon Capital has successfully applied its activist investment approach. Today we manage in excess of \$185m across our various fund structures.

We have outperformed the ASX 200 by 34% & the Small Ordinaries by 168% since our flagship fund began in 2009.

We seek attractive long-term compounded returns. We do not seek to manage short-term volatility.

Australia is a substantial market with a shareholder friendly regulatory framework but with substantial inefficiencies.

Our investments have a 75% success rate. We target a doubling in the value of our investments every 5 years.

Since inception the return on our flagship fund is 9.9% p.a.

Our Funds

We manage 3 fund structures with substantially the same strategy

Sandon Capital Activist Fund (SCAF) – AUM \$48m

Unlisted unit trust for wholesale / qualified investors

Sandon Capital Investments Ltd (ASX:SNC) – AUM \$136m

Listed investment company

Sandon Capital Offshore Master/Feeder Fund – AUM \$3.5m

Incorporated in Cayman Islands for offshore investors investing through Sandon Capital Feeder Fund

We seek change to create or enhance value



Pre-eminent and unique track record of shareholder activism



We have unrivalled experience in >40 public and private campaigns



Our track record and investor base allows us to be careful and patient

Long, established track record of outperformance, with an investor base that supports us to play a long game with investments.

Extensive contacts



We build coalitions of like-minded investors



Stakeholders include institutional investors, directors, proxy advisers, investment bankers, journalists and ultimate owners



Built and nurtured over many years



When public, our analysis is widely circulated and read

We invest in undervalued companies

As value investors, we look for undervalued assets, where:

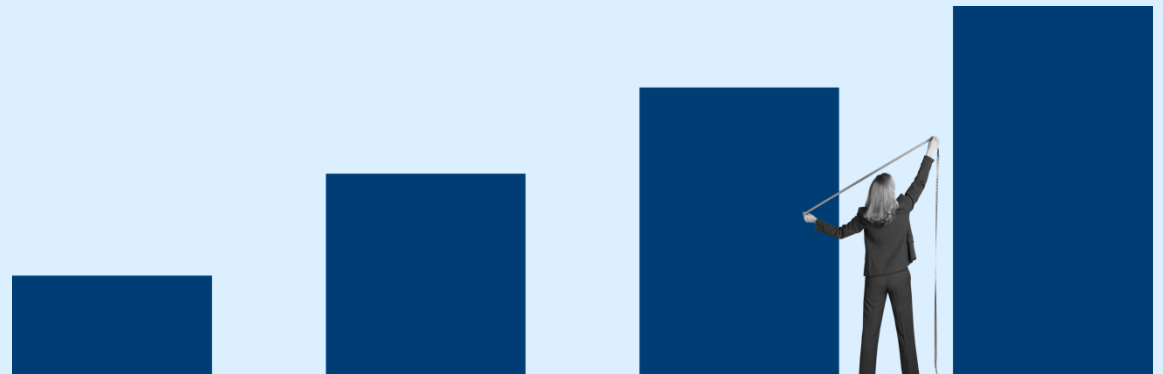


Prices are below their intrinsic value



We can encourage positive changes

Human nature creates attractive investment opportunities that require shareholders to liberate or create value.



We actively engage with companies to promote positive changes



Identify companies that are mispriced and where there are opportunities to promote positive changes, and shape the future.



Transform a company so its value is better appreciated by the market.



Takes time for our approach to bear fruit. Capital we manage is similarly aligned. Allows us to be patient and persistent.



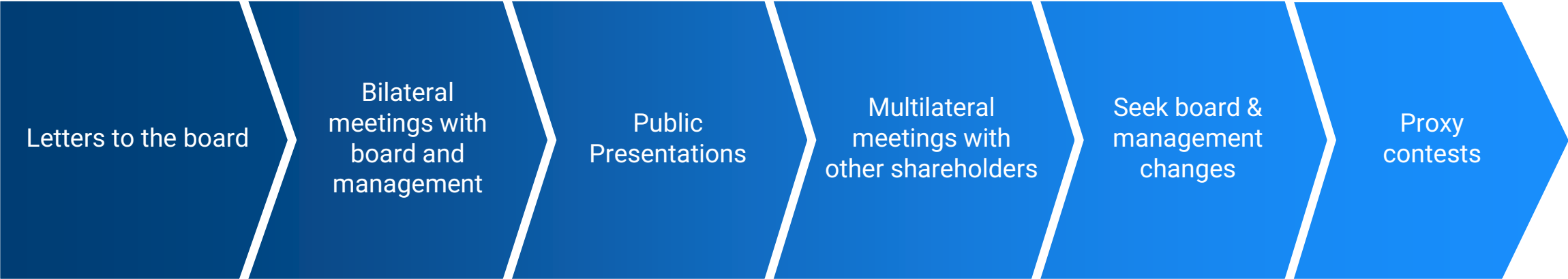
Use rigorous analysis to build shareholder consensus.

We unlock value by taking a proactive approach

We focus on engaging to maximise the certainty of our value creation strategies

We adapt to each unique situation, employing both a range of visible and less visible techniques

Discount (Asset Value) Intrinsic Value



Less Visible (Opportunity) More Visible

Led by a team with decades of success

The CIO is the ultimate decision maker however the depth of expertise and industry experience results in a collaborative process

Gabriel Radzyninski

Founder, CIO
& Portfolio Manager

+25 YRS EXPERIENCE



As the founder of Sandon Capital in 2008, Gabriel has been involved in the financial services sector for more than 25 years. Gabriel is Chairman of Sandon Capital Investments Limited (ASX:SNC). He is a non-executive director of Future Generation Investment Company Limited (ASX:FGX). From time to time he takes on Board positions as part of Sandon Capital's engagements. Gabriel has a BA(Hons) and MCom both from the University of New South Wales.

Campbell Morgan

Portfolio Manager

+20 YRS EXPERIENCE



Campbell joined Sandon Capital in 2014 and has more than 20 years of experience in both Australian and international financial markets. Prior to joining Sandon Capital, Campbell managed a Global Materials portfolio for Millennium, a New York based hedge fund with US\$25bn under management. Preceding this, he was a Senior Analyst for a Global Industrials portfolio at Citadel Investment Group, a US\$30b Chicago based hedge fund. Campbell started his career in Australia, working in the Investment Bank at ANZ and after that as an Equity Research Analyst for Merrill Lynch before moving overseas in 2007 to work in Alternative Funds Management.

Derek Skeen

Chief Operating Officer

+25 YRS EXPERIENCE



Derek is the Chief Operating Officer of Sandon Capital and has over 25 years experience in the asset management industry. Derek commenced his career at Macquarie Bank in 1995 and over the proceeding 25 years held increasingly senior roles in the Macquarie Asset Management division as the business grew organically and through acquisition. Derek has deep operational, risk management and product experience where he has led significant business strategy and transformation programs. Derek has worked in and across a variety of regions for Macquarie Asset Management including in his role as Chief Operating Officer – APAC and, most recently, as Global Head of Investment Operations. Derek has a Master of Business Administration from the University of New South Wales, Australian Graduate School of Management business school.

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