



SALTER BROTHERS EQUITIES
REACH MARKETS –
MEET THE FUND MANAGER



FEBRUARY 2023

SALTER BROTHERS EQUITIES

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SALTER BROTHERS EQUITIES

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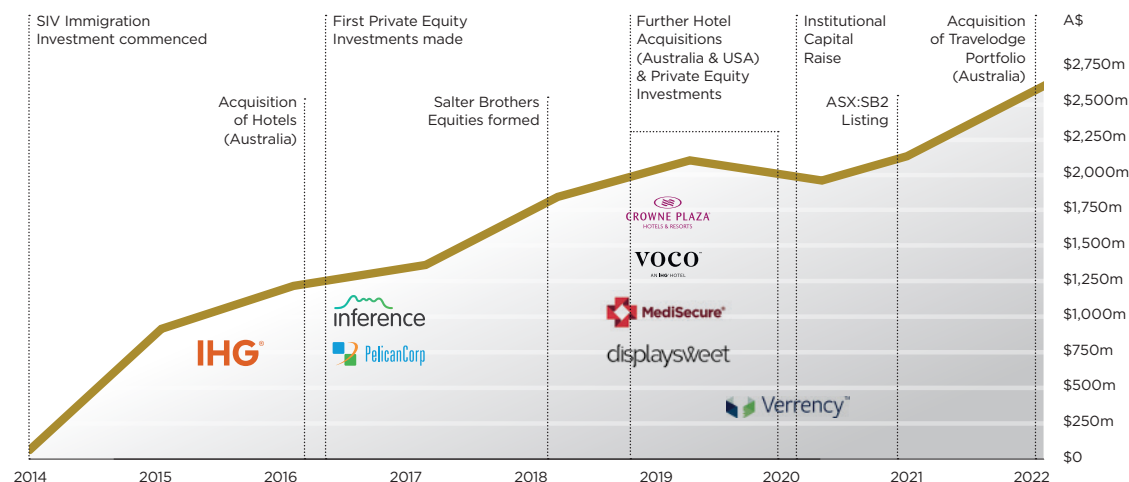
SALTER BROTHERS EQUITIES

ABOUT THE MANAGEMENT COMPANY: SALTER BROTHERS

➤ Salter Brothers is a **Global Fund Manager** with a focus on alternative investment offerings for high net worth and institutional investors across **Equities, Property, and Credit**

- With Group assets under management of **over A\$2.5 billion**, Salter Brothers has established a track record of acquiring and adding value to high quality specialist assets and investing in selected growth businesses
- **International footprint** across Asia-Pacific and North America through its range of Funds and Partnerships
- A diverse, multi-disciplinary team with extensive funds management, investments, property, capital markets, finance and commercial experience, which is led by a focused leadership group who are dedicated to delivering value to investors

Salter Brothers Group Milestones



SALTER BROTHERS EQUITIES

THE SALTER BROTHERS EQUITIES TEAM

Board of Salter Brothers Asset Management



John Humphreys
Chairman
30+ years' industry experience
Previous: KPMG, Bearing Point



Robert Salter
Executive Director & CEO
20+ years' industry experience
Previous: Macquarie Bank, UBS, Merrill Lynch



Paul Salter
Managing Director
20+ years' industry experience
Previous: MAP Capital, KPMG, EY



George Boubouras
Director & Investment Advisor
27+ years' industry experience
Previous: Contango Asset Management, UBS, Macquarie, HSBC



Chris Calvert
Chairman & Non-Executive
27+ years' industry experience
Previous: Cambridge Industrial Trust, Macarthur Cook Ltd



Robert Millar
Company Secretary
20+ years' finance experience
Previous: various accounting firms

Equities Investment Team



Gregg Taylor | *Head of Equities*
Investment Director - Listed / Pre-IPO
25+ years' experience
Previous: Bombora Investment Management



Tineyi Matanda
Investment Director
- Private / Growth Equity
15+ years industry experience
Previous: MAP Capital, PwC



Advait Joshi
Senior Investment Analyst - Listed / Pre-IPO
5+ years' experience
Previous: Bombora Investment Management, UBS



James Parsell
Senior Investment Analyst
- Private / Growth Equity
6+ years industry experience
Previous: Deloitte



Francis Crossle
Junior Analyst
1 year industry experience

Senior Management



Paul Joyce
Chief Operating Officer
20+ years' experience
Previous: JCP Investment Partners, MLC



Peter Hamilton, CA
Chief Financial Officer
20+ years' experience
Previous: EY, McGrathNicol, Integral Diagnostics



Karen Bomford
GM - Operations
16+ years' industry experience
Previous: Macquarie Bank, Commonwealth Private Bank



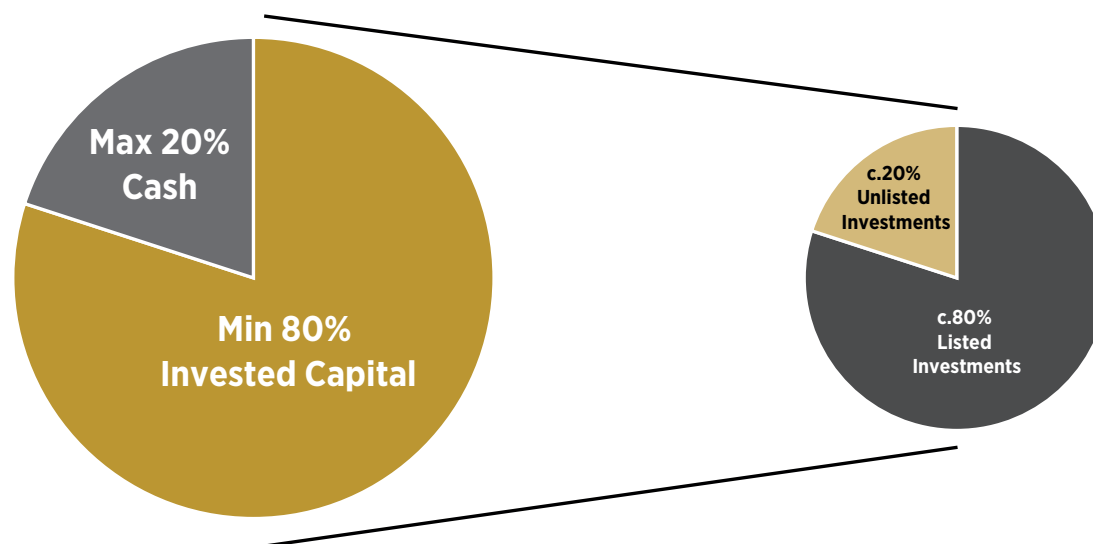
Cindy Seetoh
Manager - Compliance
12+ years' experience
Previous: Lewis Land Group, CIT REIT, Newedge Group, Barclays, JPMorgan



SALTER BROTHERS EQUITIES

ABOUT THE MANAGER: SALTER BROTHERS EQUITIES

- Salter Brothers Equities is an experienced Public/Private, Small/Emerging Companies Equity Manager with a proven track record of being a lead active investor in quality growth companies with global opportunity sets, deep intellectual property and strong management
- One of the investment vehicles is Salter Brothers Emerging Companies Limited (“SB2”), a Listed Investment Company (LLC) which has ~\$100M funds under management and is focused on investment in public and private small cap Australian companies (sub-A\$500M market capitalisation)
- SB2 was established to provide investors with exposure to unlisted and listed growth equities, a sector that historically may have been more difficult for investors to access
- Key financial profiles of our portfolio companies include:
 - Earnings growth
 - Sustainable business models
 - Strong balance sheets
- SB2 typically holds c.5-10% Cash (with a max of 20%) and c.90-95% invested capital (with a max of 20% unlisted investments)



SALTER BROTHERS EQUITIES

THE INVESTMENT TEAM – SALTER BROTHERS EQUITIES (SB2)



Gregg Taylor
**Investment Director
& Head of Equities**

Years within:

- Salter Brothers: 1
- Industry: 25



Advait Joshi
Senior Investment Analyst

Years within:

- Salter Brothers: 1
- Industry: 5



Francis Crossle
Junior Analyst

Years within:

- Salter Brothers: 1
- Industry: 1

- › Previously Chief Investment Officer and Portfolio Manager at Bombora Investment Management
- › Prior to that: Executive at Blue Ocean Equities; Investment Manager at Schrodgers covering ASX-listed companies
- › Current Directorships: Bikeexchange (ASX:BEX); Marketplacer; IP Solutions International (IPSI); True Woo
- › Previous Directorships: Acrow Formwork (ASX:ACF); Vortiv (ASX:VOR); Cronulla Sharks Football Club
- › Bachelor of Commerce (University of Wollongong), Chartered Financial Analyst (CFA)

- › Previously worked with Gregg as an Investment Analyst at Bombora Investment Management covering Listed and Pre-IPO equities (including providing structuring, financial modelling and other assistance on a number of corporate transactions - ASX-listings, private raises, M&A etc for Bombora's portfolio companies)
- › While at Bombora also undertook a corporate development secondment at Edtech business Pathify Incorporated
- › Prior to that: Equity Research at UBS Investment Bank (Emerging Companies coverage)
- › Bachelor of Commerce (UNSW)

- › Francis assists the Investment Team with financial modelling and research for the Listed coverage universe
- › Currently completing a Bachelor of Business degree (UTS)



SALTER BROTHERS EQUITIES' INVESTMENT PROCESS

A robust investment process designed to enable Salter Brothers Equities to stay on top of performance

1	Opportunity Sourcing	The Manager utilises its network of financial advisors and brokers, industry experts and operational partners to identify a large number of investment opportunities
2	Investment Universe Screening	A quantitative screen is then applied to the Investment Universe. A qualitative review of the investment screen is then conducted by the Investment Manager. We look for we look for IP-driven, sustainable businesses with earnings growth and strong balance sheets at reasonable valuations
3	Phase 1 Due Diligence	Phase 1 due diligence includes a review of company financials and building an initial model on the business, detailed valuation analysis based on both a 2-year forward valuation multiple based on trading metrics of comparable companies as well as a DCF valuation, and an initial meeting with management
4	Phase 2 Due Diligence	Phase 2 Diligence includes finalising the financial model including all forecast assumptions, site visits and follow-up meetings with management if required and insights from SB Equities' network of industry experts, advisors and the target company's customers and competitors
5	Investment Approval	A detailed discussion will take place to review outputs of the due diligence process. Opportunities may be rejected, may require further due diligence or may be accepted for investment
6	Ongoing Reporting & Monitoring	The Salter Brothers Equities team will often work with and assist the management and Board of portfolio companies, acting as an investment partner to unlock the growth potential of the company



SALTER BROTHERS EQUITIES

THE SB2 PORTFOLIO

Over the last 10 months, our investment process has led to the creation of a profitable portfolio with strong revenue growth with undemanding trading multiples

The SB2 Portfolio ¹			
	\$	%	# of holdings
Listed	\$85,885,107	90%	26
Unlisted	\$8,079,887	8%	4
Cash	\$1,208,074	1%	
Total	\$95,173,068	100%	30

(1) As at 31/01/2023

Metrics of the Portfolio*			
	FY22A	FY23F	FY24F
Key Ratios			
EV / Revenue (x)	2.8x	2.1x	1.8x
EV / EBITDA (x)	9.8x	9.6x	6.7x
EV / EBIT (x)	9.2x	7.8x	6.7x
P / E (x)	12.3x	11.8x	8.1x
Portfolio Financials			
Revenue Growth (%)	+29%	+31%	+22%
EBITDA Margin (%)	13%	16%	19%
EBIT Margin (%)	9%	11%	14%
NPAT Margin (%)	7%	8%	11%

* All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 31/01/2023, adjusted for abnormalities

- The SB2 equity portfolio quantitatively reflects the investment philosophy of the Investment Team – that is, we look for is focused on capital preservation, long-term capital growth and income from its investments and generating attractive risk adjusted returns over the long term
- As such, the weighted average investment profile of our portfolio (as at 31/01/2023) features:
 - Average FY23-24F weighted revenue growth of +27%
 - Forecast weighted EBITDA margins between 15-20%
 - Average FY23-24F weighted NPAT margin of c.10%
 - Average FY23-24F weighted P/E multiple of 10.0x



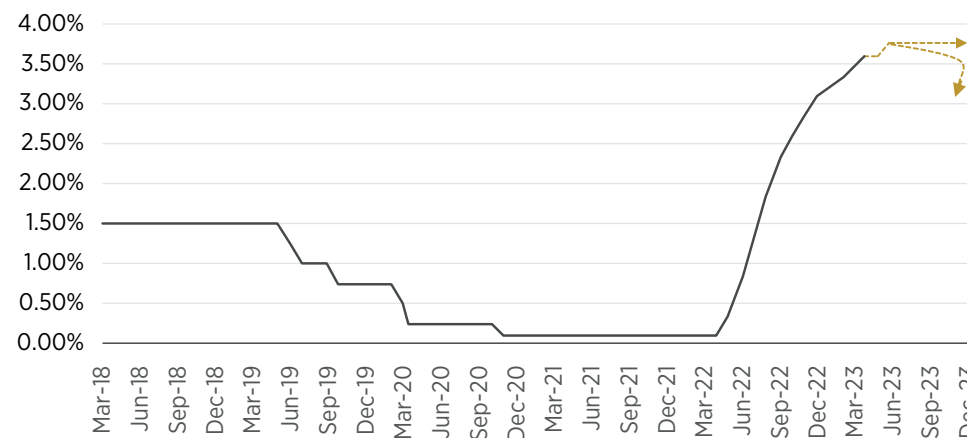
SALTER BROTHERS EQUITIES' ECONOMIC OUTLOOK

The Manager expects a better market outlook in 2023 though sees continued headwinds for the global economy and the consumer

- › Inflation and interest outlook becoming clearer and should stabilise capital markets
- › There will continue to be challenges for the global economy and the consumer, though we are expecting a soft landing, supported by strong employment sector

- › Small Cap Equities typically lead markets in a downturn though also lead markets to a recovery

Cash Rate Target - March 2018 (A) - December 2023 (F)



Source: RBA, CBA, NAB, ANZ, Westpac

Relative Performance - ASX Small Ords vs ASX 300 - Last 20 years



Source: CapitalIQ



SALTER BROTHERS EQUITIES

SECTOR PREFERENCES

The Salter Brothers Emerging Companies Fund takes advantage of its broad mandate to seek outperformance through the cycle

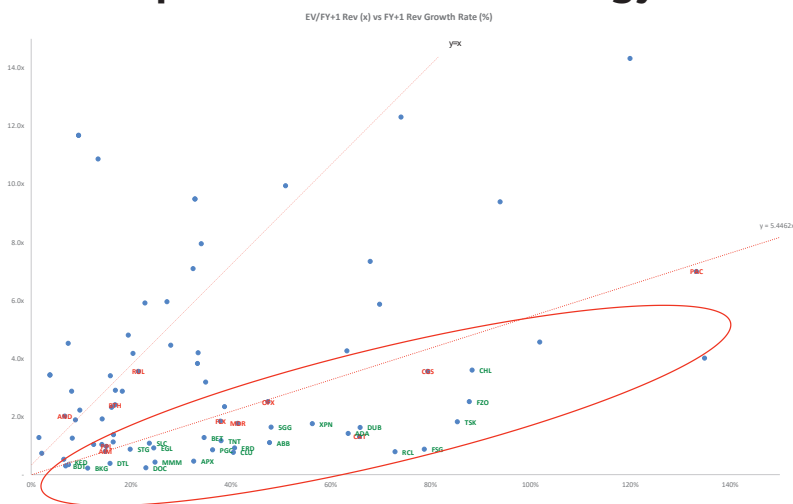
Target Industry Sectors:

- › Focus on both software technology companies as well as on industrial companies (though with no exposure to resources or biotech)
- › Looking for Defensive growth underpinned by strong intellectual property, management and balance sheet. Ideally companies with pricing power to navigate inflationary pressures
- › Avoiding sectors reliant on the consumer or strong economic growth such as retail
- › Also spending time reviewing unlisted opportunities which are presenting compelling risk v reward scenarios

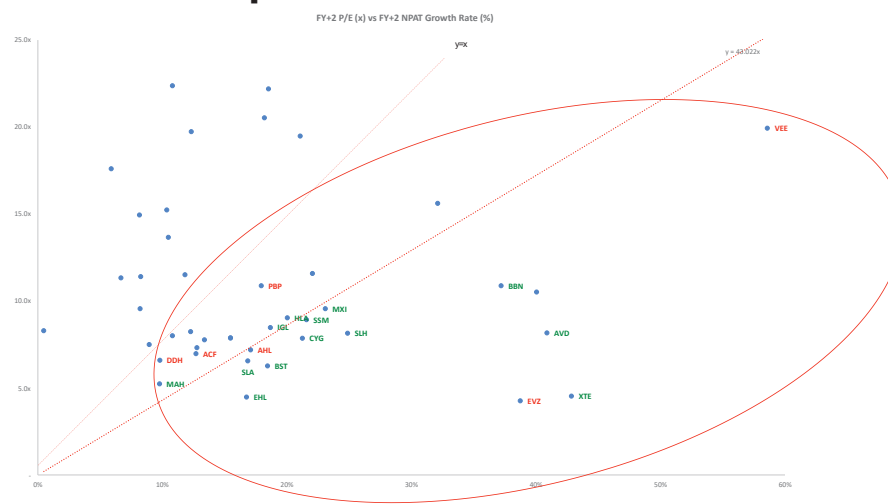
Target Sector Examples:

- › Technology
- › Telecommunications
- › Media
- › Healthcare (ex. Biotech)
- › Financial Services
- › Infrastructure and related services
- › General Industrial
- › Energy – including Renewables

SB Equities' Software Technology Screen



SB Equities' Industrials Screen



Source: CapitalIQ



SALTER BROTHERS EQUITIES

STOCK FOCUS 1: ACROW FORMWORK & CONSTRUCTION SERVICES (ACF)

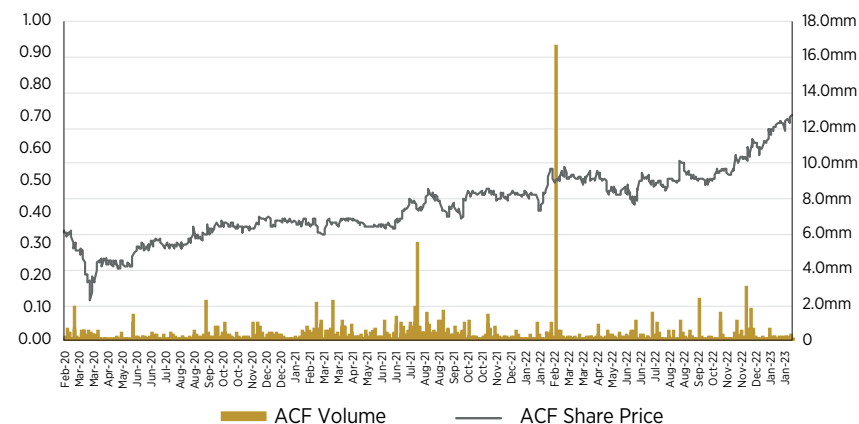
Overview of ACF

- › Acrow Formwork and Construction Services (ASX:ACF) core business provides engineered formwork solutions for the civil infrastructure market of Australia
- › Additional revenue is generated in specialist screen system solutions and the provision of scaffold hire solutions to the national industrial sector
- › Since its IPO in 2018, ACF's revenue has grown at a CAGR of 23% to \$148m and EBITDA increased at a CAGR of 29% to \$36m in FY22
- › The business continues to see improving cash conversion
- › ACF is now a \$130m market capitalisation company, which is forecast to continue to grow earnings 25%-30% in FY23 and is trading on a PE multiple of 7-8x and provided a dividend of 1.5c per share
- › Taking a 2-year view, we value the business using on a FY24 NPAT multiple to arrive at an upside to the current share price of +45%

Recent Events

- › In August, ACF secured two contracts worth c.\$4m in revenue for the provision of Jump Forms on two marquee Queensland projects
- › These were 'landmark wins' for the company as it fast tracks entry into the Jump Form market and further enhances ACF's position as the leading provider of Engineered Formwork Sales and Hire solutions to the Australian construction market
- › ACF's CEO Steven Boland noted the contract wins were "one of the most significant developments of our business over the past few years"

ACF Share Price



Thesis

- › The core competitive advantage is around the engineering expertise and solutions coupled with the asset hire product range they provide with a genuine national footprint
- › ACF enjoys a strong balance sheet and have an excellent Management Team lead by the experienced Steve Boland
- › ACF provides defensive growth characteristics in the government backed civil infrastructure boom that doesn't look like easing for at least the next 5 years
- › The outlook is positive with a record pipeline of contracted work on major civil infrastructure projects around the country
- › Major projects include: Melbourne Metro tunnel, Bruce Highway Queensland, Sydney Metro and the Snowy Hydro project



STOCK FOCUS 2: MEDADVISOR (MDR)

Overview of MDR

- › MedAdvisor Limited (ASX:MDR) is a medication management software platform that works with pharmacies to help patients take their medication safely and effectively
- › MDR works with 25,000 pharmacies in the US to deliver its medication adherence programs to 180m+ patients. In Australia, MDR has connected over 2.9 million patients through more than 90% of Australian pharmacies
- › MDR has partnered with Cotiviti in the US and is on track to become one of the largest players in the global digital adherence market. The business reports 80% of the top 25 pharma companies as its clients and has 184 employees globally
- › Taking a 2-year view, we value the business using an average of FY24 Revenue multiple to arrive at an upside to the current share price of >+100%

Recent Events

- › MDR posted its 2Q23 update, wherein:
 - Operating revenue grow +65.8% YoY to \$64.1m in 1H23 (inclusive of a 3-month contribution from Guildlink)
 - Increased adoption of MDR's digital platform network "inMotion" by pharmacies in the US saw Group gross margins grow by 16.9 percentage points to 56.9%
 - The business ended 1H23 with a strong cash balance sheet position with \$32.7 million of cash
 - MDR also reiterated its focus on getting to profitability within two years (previously stated at the 2022 AGM).

MDR Share Price



Thesis

- › MDR is seeing strong revenue growth supported by structural changes and needs in the healthcare facilitation ecosystem
- › The business has a revitalised Board and management team and annualised revenue of \$100m+
- › The outlook is positive with gross margin expansion fuelling the business's progress to free-cash-flow profitability



SALTER BROTHERS EQUITIES

STOCK FOCUS 3 - UNLISTED: IP SOLUTIONS INTERNATIONAL (IPSI)

**SB Equities Cornerstones \$5.0m
capital raising into SB SPV No. 1 Pty Ltd**



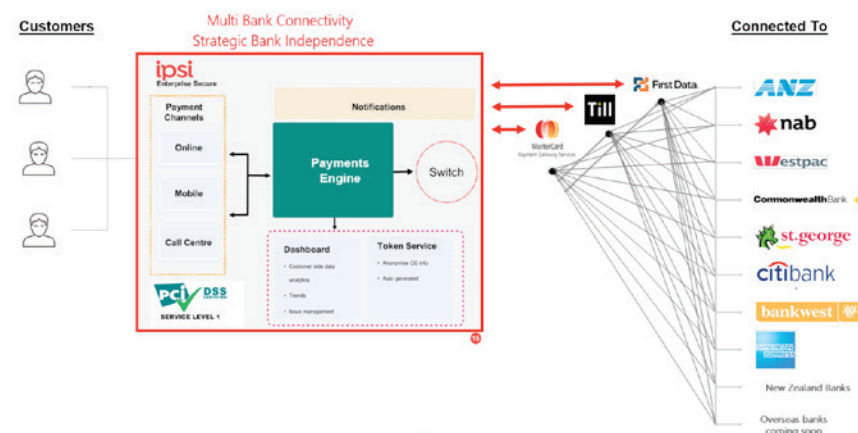
**All existing Shareholders
roll into NewCo**



Overview of IPSI

- › IPSI provides secure payment gateway and data security solutions via software applications on its proprietary native cloud platform. Founded in 2006, IPSI has transformed from Reseller to Fintech, having built and launched its own proprietary native cloud platform in 2020
- › Since launch, IPSI has grown revenues to more than \$3.0 million, with a growing recurring revenue base, and gross margins of ~70%
- › IPSI has a strong management team, with a strong track record in delivering technology solutions in the payment integration space, having successfully managed some of the largest digital payment transformation projects in Australia
- › IPSI has multiple growth levers, including demonstrable growth within it's existing customer base, new technology development, and a large pipeline of new customers
- › IPSI's current core offerings are EnterpriseSecure and AgentSecure, offered as a recurring subscription

Where IPSI sits in the payments supply chain

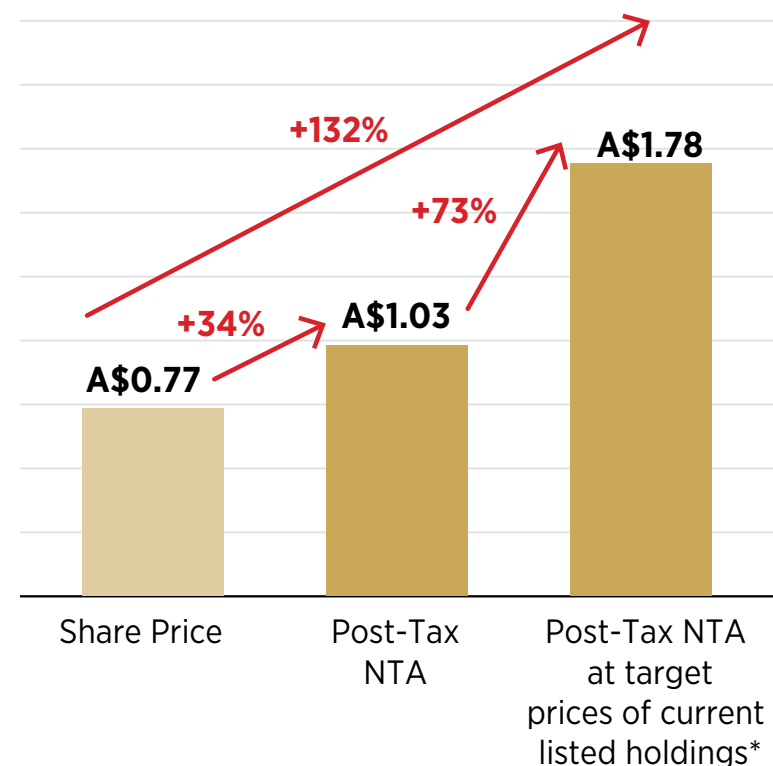


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POTENTIAL OUTLOOK FOR ASX:SB2

SB2 is currently trading at a 25% discount to Post-Tax NTA

- › Taking a 2 year view (on FY24F metrics), the potential weighted average valuation upside of the listed holdings in the portfolio based on SB2 forecasts is 81.4%
- › SB2 (ASX:SB2) is currently trading at a 25% discount to its post tax NTA
- › An acquisition of SB2 stock today provides a potential:
 - +34% upside as a result of the current discount to the NAV (if SB2 trades to post tax NTA)
 - +73% further upside to the current NAV at target prices of current listed holdings (considering weighted average target prices of each holding and listed portion as % of total portfolio)*
 - +132% cumulative upside as shown in the diagram below
- › ASX listed LICs are trading at a median discount of 9% vs their NTAs



* The NAV at target prices of current holdings has been calculated by considering the weighted upsides of each listed holding taking a 2-year view on valuation and then accounting for listed portion accounting for 90% of the portfolio as at 31/01/2023



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