

# Investment Report & NTA Update

10 MARCH 2023

## Net Tangible Asset Value per share as at 28 February 2023

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA*	Post Tax NTA*	Share Price	Number of Holdings
\$0.983	\$1.015	\$1.006	\$0.73	32

## Investment Portfolio Performance<sup>†</sup>

	1 Month	6 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. <sup>^</sup>	Inception (Total Return) <sup>^</sup>
<b>SB2</b>	-3.52%	-4.66%	-2.72%	-	-	2.62%	4.66%
<b>ASX Small Ordinaries Accumulation Index*</b>	-3.70%	-2.01%	-7.97%	-	-	-4.80%	-8.28%
<b>Outperformance</b>	0.18%	-2.65%	5.25%	-	-	7.42%	12.94%

<sup>†</sup> Investment portfolio performance is calculated net of Management fees but before taxes, other fees, and expenses. Performance has not been grossed up for franking credits received by shareholders.

<sup>^</sup> Inception date is 27 May 2021.

\* Source: IRESS. References to ASX Small Ordinaries Accumulation Index are for illustrative purposes only, as it is compositionally different to the Investment Portfolio.

## Key Contributors & Detractors

Key Contributors for February 2023			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Acrow Formwork and Construction Svc Ltd (ACF)	+14.5%	+0.9%
2	Felix Group Holdings Ltd (FLX)	+14.7%	+0.6%
3	Probiotec Ltd (PBP)	+11.5%	+0.5%

Key Detractors for February 2023			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Top Shelf International Holdings Ltd (TSI)	-17.2%	-1.1%
2	CogState Ltd (CGS)	-5.1%	-0.3%
3	RPMGlobal Holdings Ltd (RUL)	-8.7%	-0.3%

## Key Features of the SB2 Portfolio

- Taking a 2 year view (on FY24F metrics), the weighted average valuation upside of the listed holdings in the portfolio based on SB2 forecasts is 81.1%.
- The SB2 equity portfolio quantitatively reflects the investment philosophy of the Investment Team – that 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 28/02/2023) features:
  - Weighted average FY23-24F revenue growth of +27%
  - Weighted average FY23-24F EBITDA margin of c.16%
  - Weighted average FY23-24F NPAT margin of c.9%
  - Weighted average FY23-24F P/E multiple of 8.0x

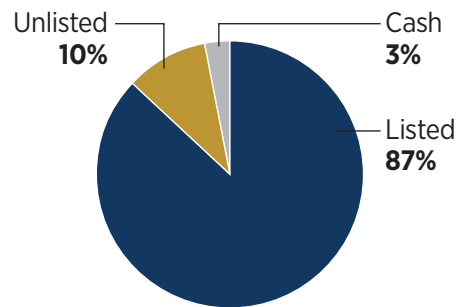
## Metrics of the Portfolio\*

	FY22A	FY23F	FY24F
<b>Key Ratios</b>			
EV / Revenue (x)	2.7x	2.1x	1.7x
EV / EBITDA (x)	8.5x	8.1x	7.3x
EV / EBIT (x)	8.3x	7.4x	6.0x
P / E (x)	11.0x	8.6x	7.4x
<b>Portfolio Financials</b>			
Revenue Growth (%)	+30%	+30%	+23%
EBITDA Margin (%)	13%	14%	17%
EBIT Margin (%)	9%	10%	12%
NPAT Margin (%)	7%	8%	9%

\* All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 28/02/2023, adjusted for abnormalities

## Portfolio Composition

- The SB2 Portfolio has 27 Listed holdings (87% of the total value), 5 Unlisted holdings (10% of the total value) and 3% cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is ~\$184m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 28 February 2023.



## February 2023 Monthly Update

The month of February 2023 saw companies post their 6 month results to December 2022. Most of the companies results were broadly in line with the Manager's investment thesis, though low liquidity and high share price volatility continued to be a feature of the small cap market.

In February 2023, the Portfolio was down broadly in line with the market decline, posting a return of -3.52% for the month. The ASX Small Ordinaries Accumulation Index fell by -3.70% for the month as a result of a weaker reporting season and risk appetite also decreasing. The Manager continued to closely monitor and manage each of the portfolio companies through the market volatility.

During the month, the top 3 positive contributors to the portfolio were Acrow Formwork and Construction Services Limited (**ACF**), Felix Group Holdings Limited (**FLX**) and Probiotec Limited (**PBP**). The top 3 key detractors were Top Shelf International Limited (**TSI**), CogState Limited (**CGS**) and RPMGlobal Holdings Limited (**RUL**).

ACF released strong 1H23 results along with a material upgrade to FY23 guidance. Result highlights were underlying EBITDA and NPAT up +38% and +52% respectively on the pcp. ACF management upgraded its previous guidance of EBITDA from \$45.5m - \$46.5m to \$48.0m - \$49.0m and underlying NPAT from \$23.0m - \$24.0m to \$25.5m - \$26.5m. The market reacted positively resulting in an uplift on the share price. The Manager is pleased with the traction and progress of the ACF business and retains a high degree of conviction in the opportunity set.

FLX also delivered a positive trading update. FLX is a software solution which acts as an online construction marketplace for contractors and vendors. Total revenue was up +27% vs pcp, demonstrating significant sales traction underpinned by a validated platform via key customer wins and a significant contractor pipeline.

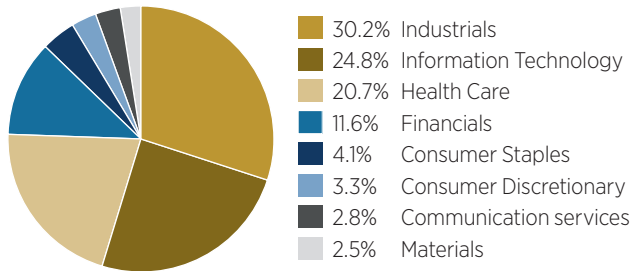
PBP continues to stack up favourably on a risk versus reward basis. The contract manufacturer for the pharmaceutical sector continues to enjoy strong positive industry dynamics and the Company continues to execute well on their strategy. Record revenues of +25% vs the pcp were reported along with earnings coming in above guidance. Strong growth, conservatively valued and dividend paying, PBP remains a core position in the SB2 portfolio.

The top key detractor in the month was TSI which saw a share price decline of -25.8% despite reporting a 1H23 trading update that was broadly in line with the market's expectations. TSI posted +208% growth on its pro-forma branded revenue together with an increase of distribution points by +60% on the half. The reason for the share price decline was the deeply discounted equity raise to strengthen the balance sheet of TSI to fund ongoing growth. SB2 participated in the equity raise and we retain our conviction in the strategic value of TSI's portfolio of assets and brands in the beverage sector. TSI is now trading at a meaningful discount to asset value, whilst continuing to build strong brand equity in the market.

CGS also experienced a sharp share price decline after releasing a softer than expected 1H23 financial result and a downgrade in full year guidance. The Manager was aware of the likely delayed revenue in the Company's digital cognitive testing programs caused by slower than expected recruitment of patients in a large trial, though we underestimated the short term share price impact. That being said the share price has since rebounded greater than 20% in the first week of March. The future prospects for CGS remain very positive and the Manager is comfortable to hold the position during the short term volatility, in return for the medium term pay off that is expected.

RUL reported a set of financial results in line with expectations though fell victim to the sell off in technology related stocks during February and the broader 'risk off' trade. RUL is a global leader in mining software solutions and in our view is at a tipping point for operating leverage and earnings growth which is yet to be appreciated by the market.

## Portfolio Sector Weights



## Top 5 Holdings

1. Acrow Formwork And Construction Ltd (ASX:**ACF**)

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2. RPMGlobal Holdings Ltd (ASX:**RUL**)

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3. OFX Group Ltd (ASX:**OFX**)

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4. Veem Ltd (ASX:**VEE**)

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5. Medadvisor Ltd (ASX:**MDR**)

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## Investment Team



### Gregg Taylor

Investment Director  
 25+ years' experience  
 Previous:  
 Bombora Investment Management,  
 Blue Ocean Equities



### Advait Joshe

Senior Analyst  
 5+ years' experience  
 Previous:  
 Bombora Investment Management,  
 UBS Investment Bank

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Authorised for release by the Board of SB2.

### Important information

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