GLENNON SMALL COMPANIES

Wednesday, 10 May 2023

Company Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Shareholder Presentation

Please find attached a copy of the Company's Shareholder Presentation that Michael Glennon, Chief Investment Officer, will be using on Wednesday, 10 May 2023 at 11am.

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GLENNON CAPITAL

Glennon Small Companies

May 2023

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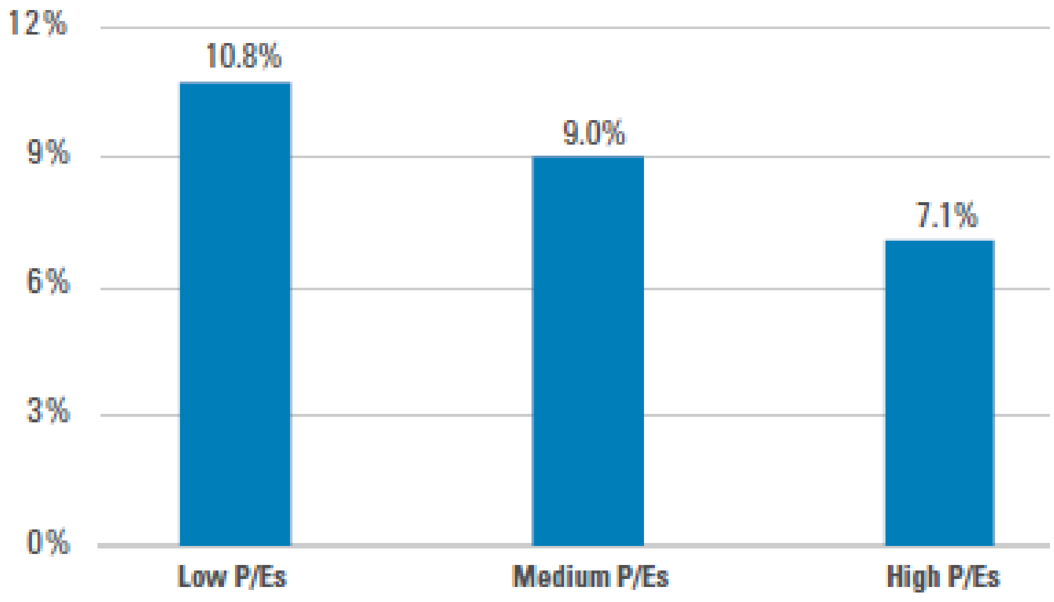
Small caps are oversold | Offer compelling value relative to historical standards

Exhibit 1: Small Caps Globally at Compelling Valuations
Past 20 Years World Small Cap P/E Ratios
MSCI World Small Cap Index (March 2003 – March 2023)

Source: FactSet, Pzena analysis
Trailing price/earnings data

Exhibit 2: Low Valuation Has Generally Worked Best
Average Forward 10-YR Annualised Returns by P/E
MSCI World Small Cap Index (March 2003 – March 2023)

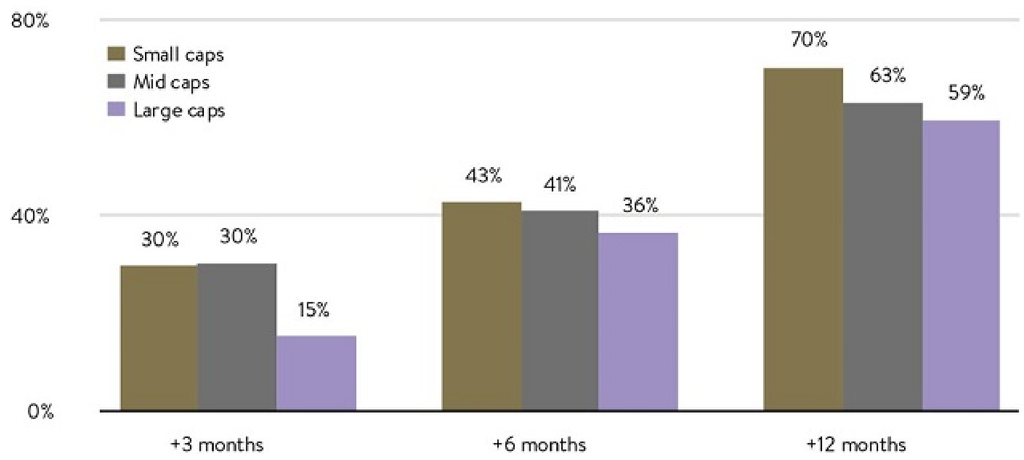


Source: FactSet
Forward price/earnings data

First to recover

It is widely known that while small caps usually fall the hardest, their recovery is equally as spectacular. History shows small caps outperform after the trough, with the spread being the widest in the early stages of recovery.

Small caps have the edge over mid and large after trough



Source: BofA ETF research, Ibbotson, Global Financial Data.

Investors must understand the dynamics behind small-cap volatility, including illiquidity and business cycle sensitivity.

GC1 | Pay 80c for $1

NTA: We believe that our NTA substantially understates intrinsic value. As such, an investment at today's levels offers significant upside for investors.

Why Glennon? Unlike international peers, small caps have underperformed larger-cap peers. However, when you strip out unprofitable business from the index, small-caps outperform. As such, it is our firm belief that active management is the most prudent way to gain exposure to small-caps.

Why Now? We have positioned the portfolio conservatively on multiple fronts.

First, our portfolio companies have a margin of safety through a combination of valuation and structural tailwinds.

Second, we are overly concerned with business risk. If a macroeconomic shock were to occur, correlation amongst positions would limit downside.

Finally, we have a high cash balance readily available when needed.

Top Holdings | (Alphabetical Order)

BabyBunting

BENJAMIN HORNIGOLD LIMITED

CFL COLLINS FOODS LIMITED

dusk

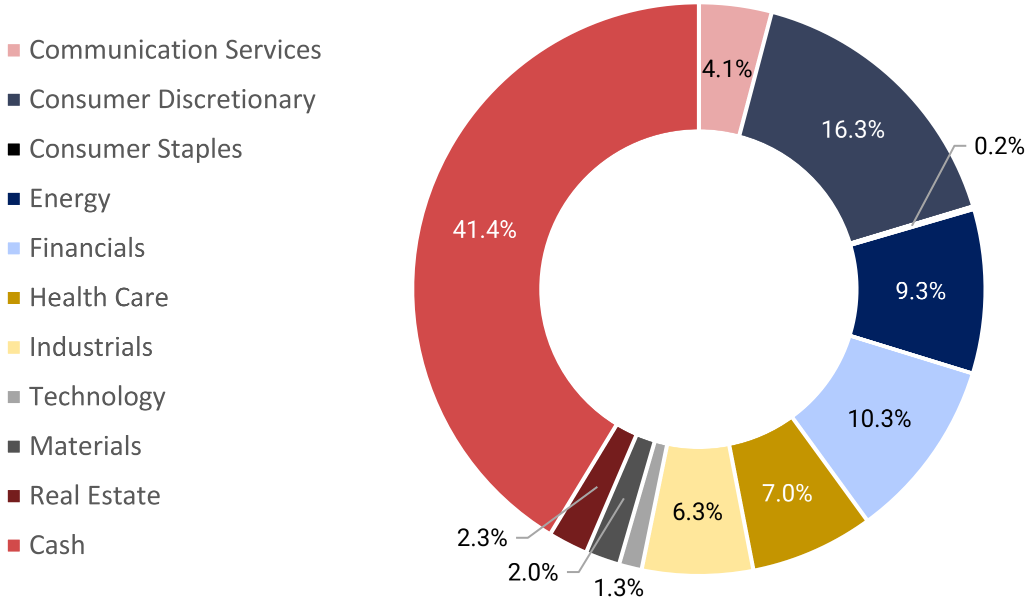
ive

Lovisa

METGASCO

TELIX PHARMACEUTICALS

Current Portfolio | Portfolio Snapshot at 18 April 2023



- **41%** of capital is held in cash
- We aim to hold **20-30** stocks diversified across various industries

Top Holdings	% of NAV
Cash	41.4%
Metgasco*	6.9%
Lovisa Holdings	5.8%
Telix Pharmacetuicals	4.2%
Collins Foods	3.9%
Baby Bunting Group	3.5%
Ive Group	3.4%
Dusk Group	3.0%

*Investment consists of both debt and equity

Top 20 holdings represent **96%** of invested capital. GC1 currently owns securities issued by **27** companies

Collins Foods | ASX: CKF

Overview: Collins Foods operates and manages quick service restaurants in Australia, Europe and Asia. The company operates restaurants under the KFC, Taco Bell and Sizzler brands.

Investment Thesis: Centered around three key aspects.

1. Number of restaurants - We expect growth in restaurant numbers to compound at no less than mid-single digits over the coming decade, supported by: CKF's Australian Development Agreement with Yum! Brands (franchisor of KFC) requires CKF to build a minimum of 56 net new restaurants by 2028. CKF's Corporate Franchise Agreement with Yum! to build 130 net new restaurants in the Netherlands over the next 10 years.

2. Pricing mix - Historically, Collins Foods' Australian KFC restaurants have achieved positive same-store sales growth every year over the past decade, averaging 3.6% per annum.

3. Restaurant-level EBITDA margins - The drop in margins is primarily due to rising input prices (mainly poultry), labour costs and utilities prices, which have more than offset multiple price increases implemented by CKF over the past 6 to 12 months. However, we believe this trend will revert, eventually returning to its historical range of 17% to 18% of sales, due to the pricing power of CKF's brands.

Valuation: We purchased CKF's at an average enterprise value of ~$1.1 billion (~$920m market cap plus $280m debt less $90m cash). This implies a market value of ~$3 million per restaurant and a multiple of 0.8x NTM sales and 5.2x NTM EBITDA (pre-G&A) (our estimates). These multiples are the lowest that CKF has traded at since 2016.

Collins Foods (ASX: CKF)	
Price	$8.83
Market Cap	$1,036.1m
Enterprise Value	$1,209.8m
Earnings	$54.8m
Performance since purchase	7.00%

Abacus | ASX: ABP

Overview: Abacus Property Group (ABP) is into investment in commercial (office and other) and self-storage properties, along with managing the legacy investments in property developments. Abacus Property Group is an asset backed, annuity style business where capital is directed towards assets that provide potential for enhanced income growth to generate increased total returns and create value.

Investment Thesis: Held within ABP is Abacus Storage King ("Storage King" or "ASK"), Australia's second largest owner-operator of self-storage centers. ASK represents ~52% of the Parent's tangible assets and is earmarked to be partially spun-out of the Parent before Q3 CY2023 .

Domestic and International storage REITs typically trade at or above NTA and on implied gross rental yields below 6%. If we assume ASK trades at a similar valuation relative to its peers following the spin-off (i.e., trading around its NTA), an investor is buying the remaining assets at a >60% discount to NTA. We expect this gap to close to a more reasonable discount of between 25%-35% of NTA over the coming months, following the spin-off transaction, representing 70-100% upside on the stub equity.

Valuation: Assuming ASK trades at NTA, its implied cap rate would be ~6.1%. This $1.9b valuation ($2.09 per share) seems reasonable considering it would trade on at a higher implied cap rate and lower EV/EBITDA and P/FFO to NSR and its international peers. A 25%-35% market drawdown in the value of ABP's net assets would value ABP on a gross rental yield of between ~5.8%-6.4% and NTA of between $1.47-$1.69 (post spin-off) compared to its current NTA of $2.25 per share.

Abacus (ASX: ABP)	
Price	$2.68
Market Cap	$2,398.9m
Enterprise Value	$3,717m
Earnings	$517.2m
Performance since purchase	1.30%

DDH1 | ASX: DDH

Overview: DDH1 Limited (DDH) provides a range of specialised surface and underground drilling services to mining and exploration clients in Australia. The Group is headquartered in Canning Vale, Western Australia.

Investment Thesis: DDH1 (DDH) is a levered play on iron ore & gold mining capex. DDH is the largest drilling services company in Australia and is the third largest globally. DDH is the highest-quality driller compared to its peers.

Supporting the above, the company is buying-back stock (repurchased 5% of FDSO since Jul-22) and is investing in new rigs/taking share through both organic and inorganic growth. Both initiatives will be both EPS accretive.

Valuation: The company trades on a low single-digit P/E and earnings are likely to grow over the next few years due to rising industry capex and a full-year contribution from a recently large acquisition. In addition, the implied dividend yield at time of purchase was 7-8% fully franked, based on paying out 50% of NPATA.

DDH1 (ASX: DDH)	
Price	$0.82
Market Cap	$335.5m
Enterprise Value	$347.5m
Earnings	$36.6m
Performance since purchase	-9.00%

What we got right - Lovisa | ASX: LOV

Overview: Lovisa is a fast fashion jewellery retailer. The company operates over 700 stores in more than 30 markets. The Company sources the latest fashion trends and makes them available for mass consumption in short time frames, at affordable prices.

Investment Thesis: Centered around three key aspects.

1. Strong cash flow generative business model with attractive unit economics - The average LOV store is between 50-80 sqm and stocks more than 2,500 SKUs. It takes less than one month to fit out and open a new store and costs approximately A$300,000 (including inventory). While fit-out costs and store sizes are largely consistent, average unit volumes and earnings per store vary by region.

2. Long reinvestment runway - We estimate that Lovisa controls more than 20% market share in the ANZ fast-fashion jewellery industry across its ~180 ANZ stores. However, on a global scale, we estimate that LOV has less than a 1% share.

3. Total insider ownership exceeds 40% with the chairman, Brett Blundy, indirectly owning the majority of these shares through BB Retail Capital.

Valuation: Due to the lower price points at which Lovisa sells its jewellery, relative to luxury jewellery brands such as Pandora and Tiffany & Co., we believe the Company has the potential to reach a greater number of consumers in less developed countries/countries with lower GDP per capita.

Lovisa (ASX: LOV)	
Price	$26.13
Market Cap	$2,893.8m
Enterprise Value	$2,853.7m
Earnings	$58.4m
Performance since purchase	115.50%

What we got right - Smartgroup | ASX: SIQ

Smartgroup (ASX: SIQ)	
Price	$7.00
Market Cap	$934.5m
Enterprise Value	$961.6m
Earnings	$58.8m
Performance (closed position)	49.50%

Overview: Smartgroup provides employee management services in the form of salary packaging, remuneration solutions, fleet management and workforce optimisation.

Investment Thesis: Despite historically being a stable, growing, cash generative business, due to the temporary shortage of supply impacting the auto market, industry participants were struggling. However, we saw this as a situation that would reverse, thereby providing an attractive investment opportunity.

In addition, the business benefitted from multiple structural tailwinds, including:

- Novated leasing lowers the burden for businesses within an environment of rising rates, as such, the demand for novated leasing (significant source of revenue) often increases.

- A large portion of SIQ's employee customers were within the healthcare space, and this sector will undoubtedly grow over time.

Valuation: At the time of purchase, the business was trading on a P/E of ~10x. With stable, consistent cash flows, a history of revenue growth and margin expansion, the business has generally sold for nearly twice that multiple.

What we got wrong - Pacific Smiles | ASX: PSQ

Pacific Smiles (ASX: PSQ)	
Price	$1.30
Market Cap	$224.9m
Enterprise Value	$229.7m
Earnings	$-4.5m
Performance since purchase	-42.20%

Overview: Pacific Smiles Group Limited (PSQ) provides modern facilities and leading dental equipment, supported by trained staff that allows dental practitioners to retain clinical autonomy while enjoying the support of a network of experienced dental professional peers.

Investment Thesis:
The business was growing and rolling-out new greenfield stores. This was attractive as there was no goodwill paid for new stores and the centres became profitable after their second year of operation.

The company was also very good at upselling and selling high margin products and services, with limited out of pocket cost to the patient.

What changed:
Covid impacted the business, far more than was anticipated and people stopped spending money on allied health and for longer than expected. Spending is only now returning to pre-covid levels.

At the same time, the founder of the business was not happy with management and was mounting a challenge to Board and Management which has been distracting.