

QV Equities update

May 2023



QV
Equities Ltd.

IML INVESTORS
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- ❑ *Release authorised by the Company Secretary, Zac Azzi*

Company update

- ❑ Anton Tagliaferro transitioned to Non-Executive Director.
- ❑ Linda Fox recently appointed as Non-Executive Director, replacing Jennifer Horrigan.
- ❑ Marc Whittaker now co-PM of QVE portfolio with Simon Conn.

Portfolio Management experience



Simon Conn
Head of Small Caps

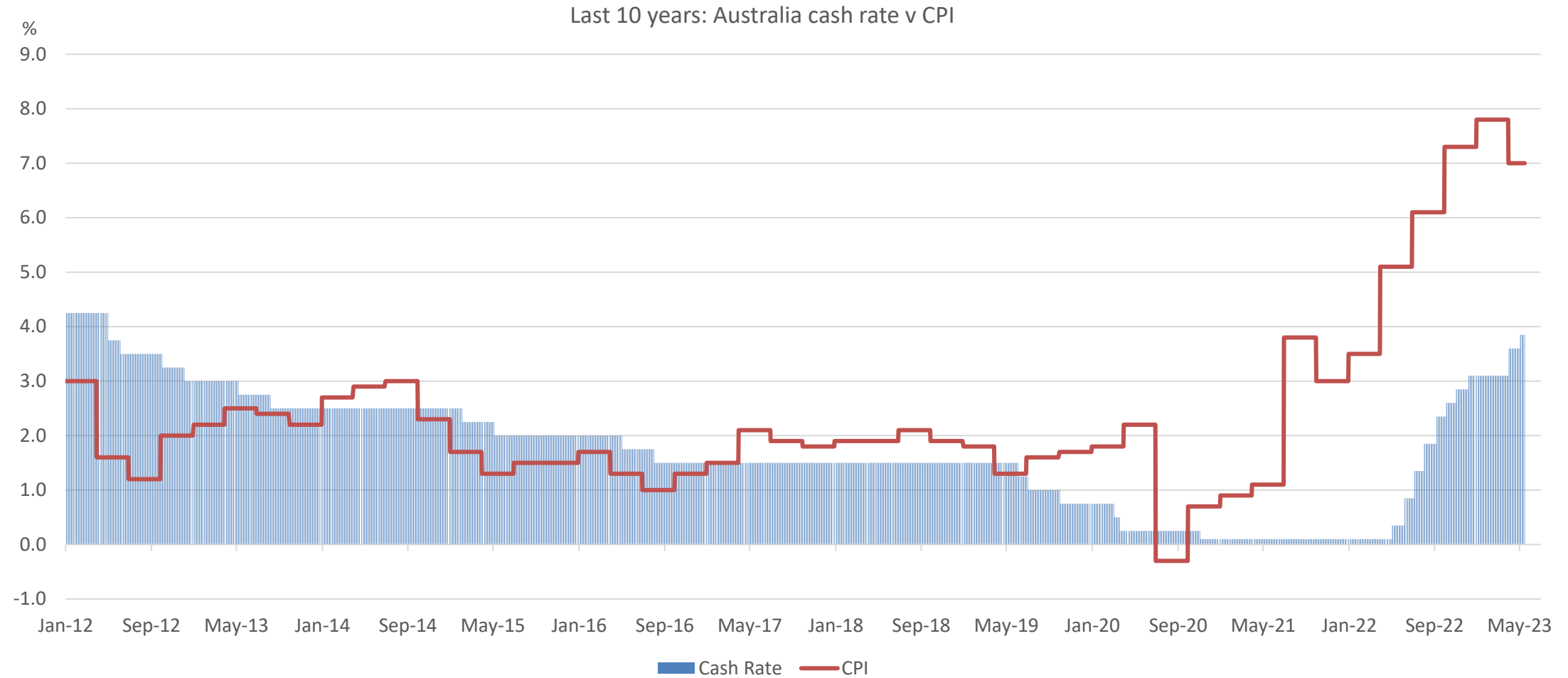


Marc Whittaker
Portfolio Manager

Investment experience	27 years	24 years
Joined IML	1998 (at founding)	2016
QVE Director	Since June 2016	No
PM responsibilities	Since 2002 Australian Smaller Companies Small Cap Future Leaders	Since 2016 Australian Smaller Companies Small Cap Co-PM of Future Leaders Co PM of Private Portfolio Fund

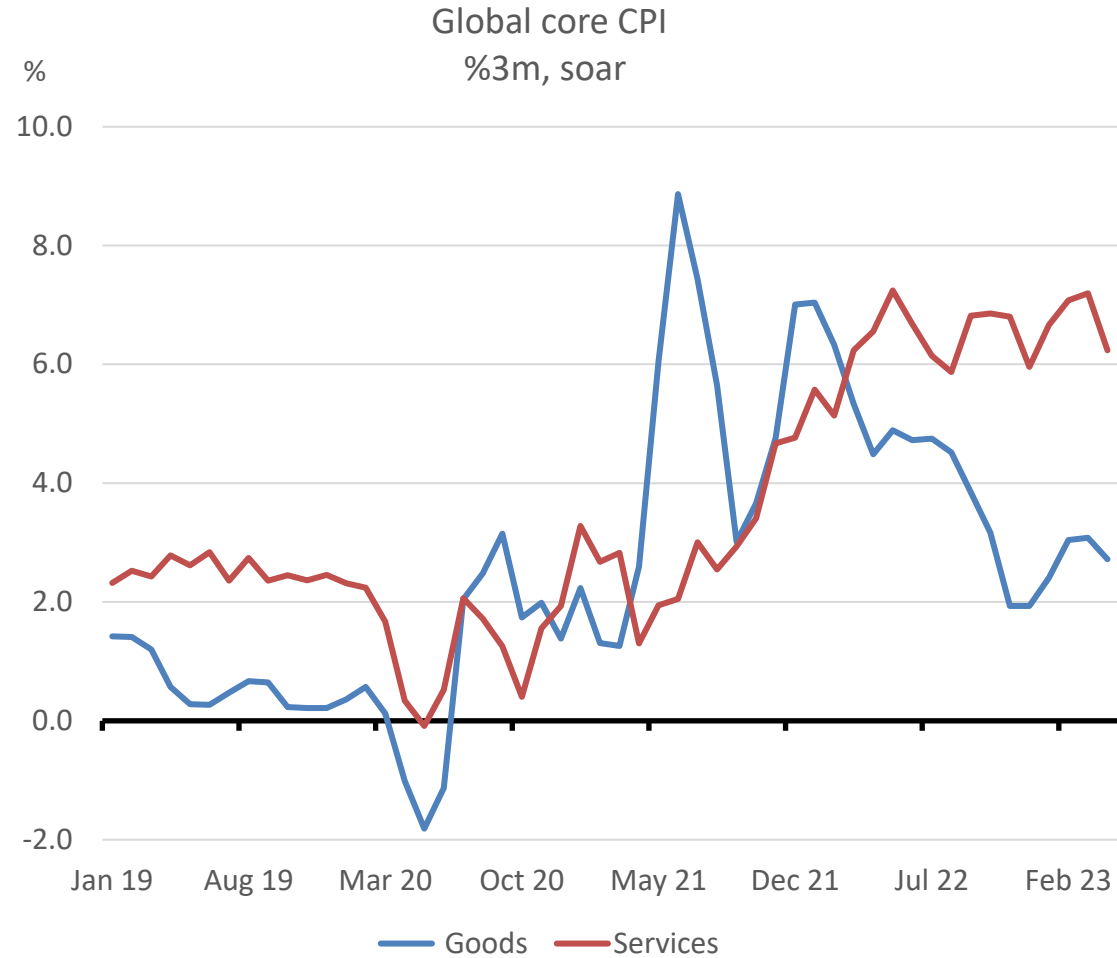
Macro backdrop

Last 10 years: Australia cash rate v CPI

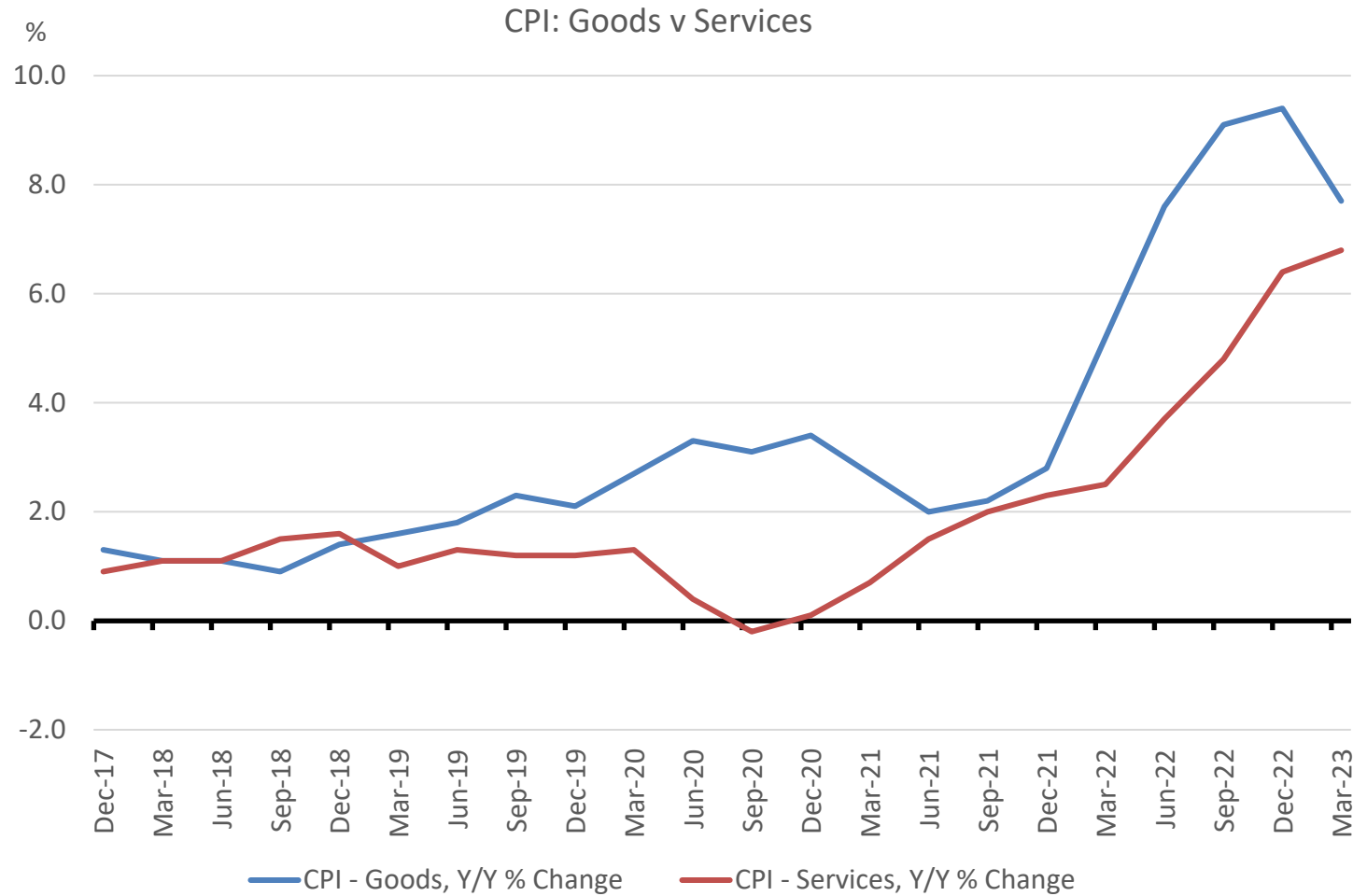


Source: FactSet as at 15 May 2023

Inflation pressures are broadening



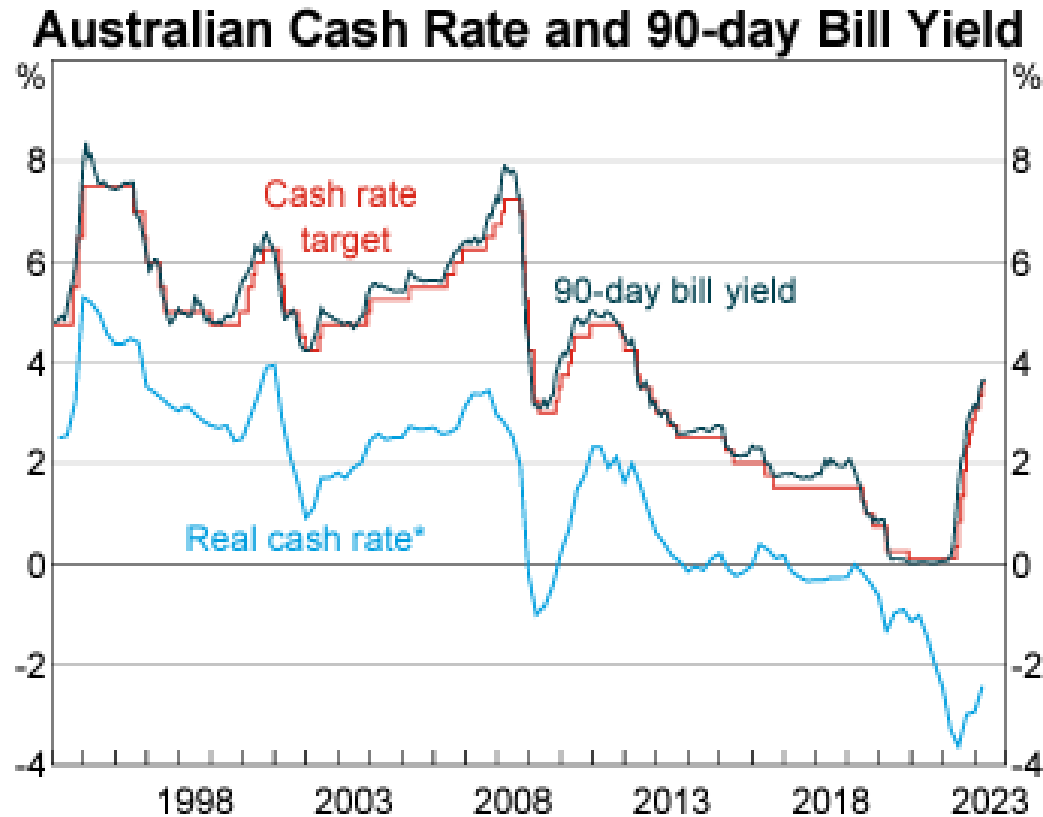
Inflation pressures are broadening – Australia



Global Inflation vs Interest rates – Aust lagging peers

	Inflation	Interest rate
Australia	7.0%	3.8%
USA	5.6%	5.2%
UK	6.2%	4.5%
NZ	7.3%	5.3%
Europe	6.9%	3.8%

Australia's cash rate remains at a negative level when adjusted for inflation

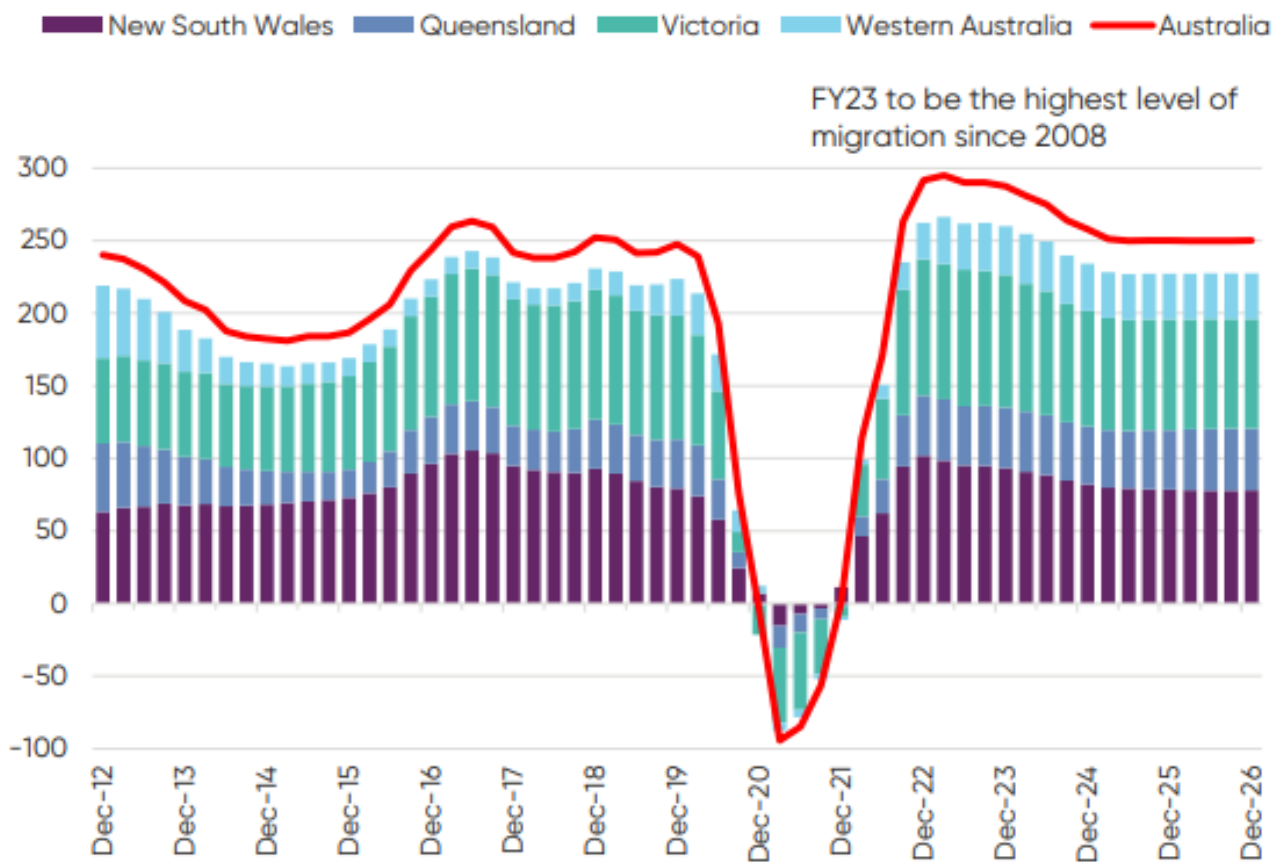


* Calculated using average of year-ended weighted median inflation and year-ended trimmed mean inflation.

Sources: ABS; AFMA; ASX; RBA

Migration is strong and back to pre covid levels

Net overseas migration by state
(12 months rolling, '000 p.a.)



Post COVID - New Normal

- ❑ Higher than expected inflation
- ❑ Nominal interest rates are now higher than pre covid levels
- ❑ Tight labour markets – immigration now returning
- ❑ Governments – increasingly interventionist (e.g. gas caps)
- ❑ Volatile geopolitical environment

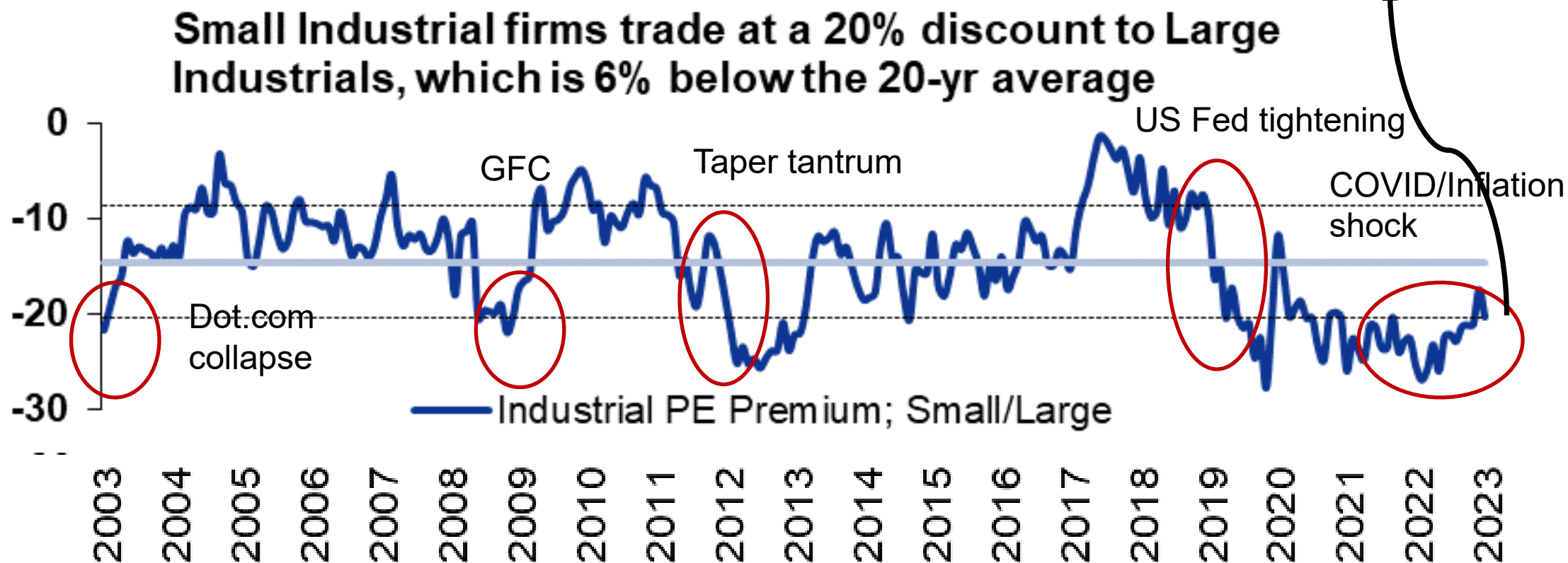
Market implications

- ❑ Liquidity favoured –large caps favoured over smalls
- ❑ Cost pressures persist
- ❑ Uncertainty driving a very short term/reactionary market
- ❑ Significant prices paid for some companies:

FY23	PE (x)
Altium	40
Wisetech	99
Nanosonics	99
Pro Medicus	108

Small Industrials priced for low growth

Small Industrials have been pricing at a challenging growth outlook for some time



Source: Goldman Sachs;
As at 15 May 2023

Portfolio update

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

Gaming	SkyCity, Tabcorp, The Lottery Corporation
Staples	Bega, United Malt, Metcash
Healthcare	Sonic, Integral Diagnostics, Australian Clinical Labs
Utilities	Aurizon, Ampol, APA
Packaging	Amcor
Miscellaneous	TPG Telecom, Orica, Brambles

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

Company	Yield FY23*	Yield FY24*
Aurizon	4.6%	5.7%
Charter Hall Retail	6.7%	6.7%
Home Co. Daily Needs REIT	6.9%	6.9%
Region Group	6.0%	5.9%
Ampol	5.9%	6.1%
Skycity	5.2%	6.4%
Suncorp	6.3%	6.4%
Healthco Healthcare & Wellness REIT	5.6%	5.9%
APA	5.4%	5.8%

*Past performance is not a reliable indicator of future performance
No guarantee of actual outcomes or performance
* IML forward looking estimates;
As at 15 May 2023*



Top 10 stocks

Top 10 holdings
Orica
Aurizon
Brambles
Ampol
Amcor
Sonic Healthcare
Coles
Lottery Corporation
Suncorp
Skycity Entertainment

M&A remains strong



** Transaction remains incomplete*



Recent buys

☐ Australian Clinical Labs

☐ APA Group

☐ Healthco REIT

☐ HMC Capital

☐ Medibank Private

Recent sells/trimms

☐ Amcor

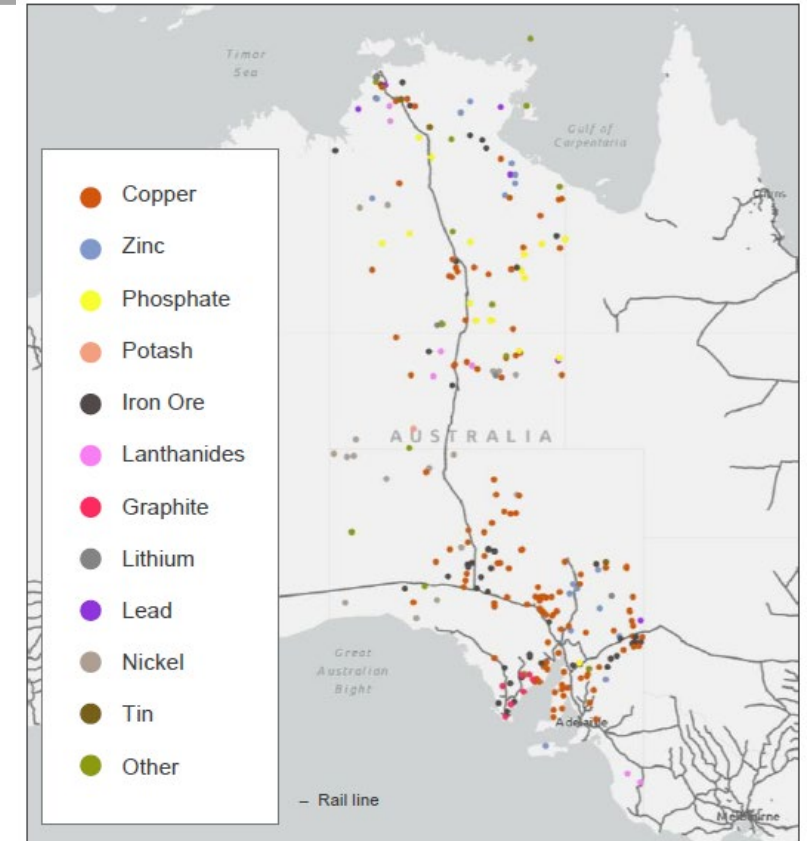
☐ IAG

☐ Origin (under takeover)

☐ Regis Healthcare

- ❑ Two divisions:
 - Regulated rail assets
 - Wagon hire business
- ❑ One Rail acq'n is transformative
- ❑ PE 13x, FY24e yield: 5.7%

SA & NT MINE PROJECTS¹



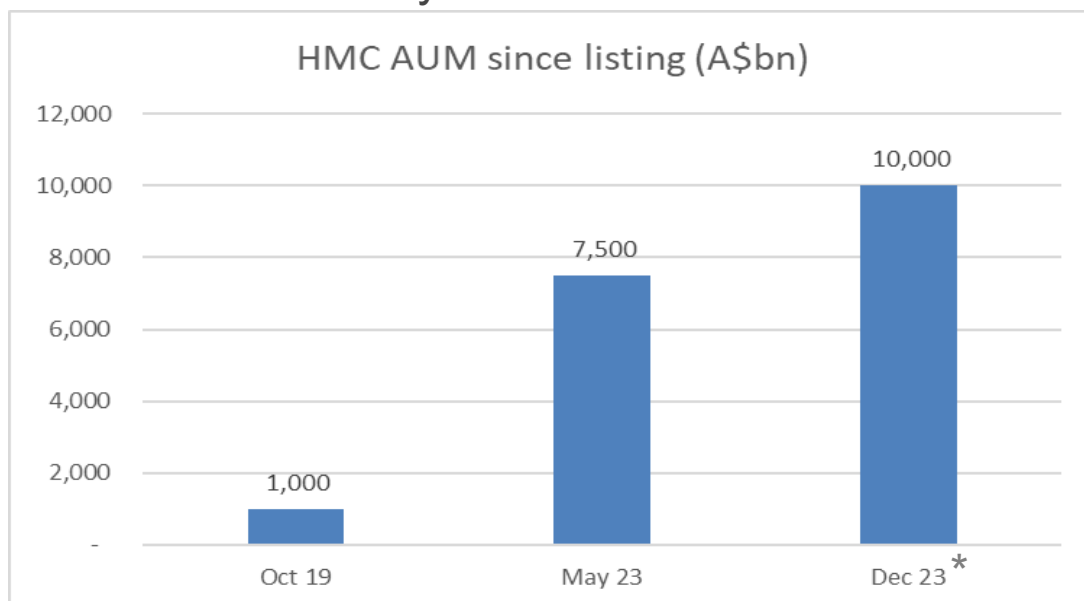
Past performance is not a reliable indicator of future performance

Source: IML estimates as at 15 May 2023;

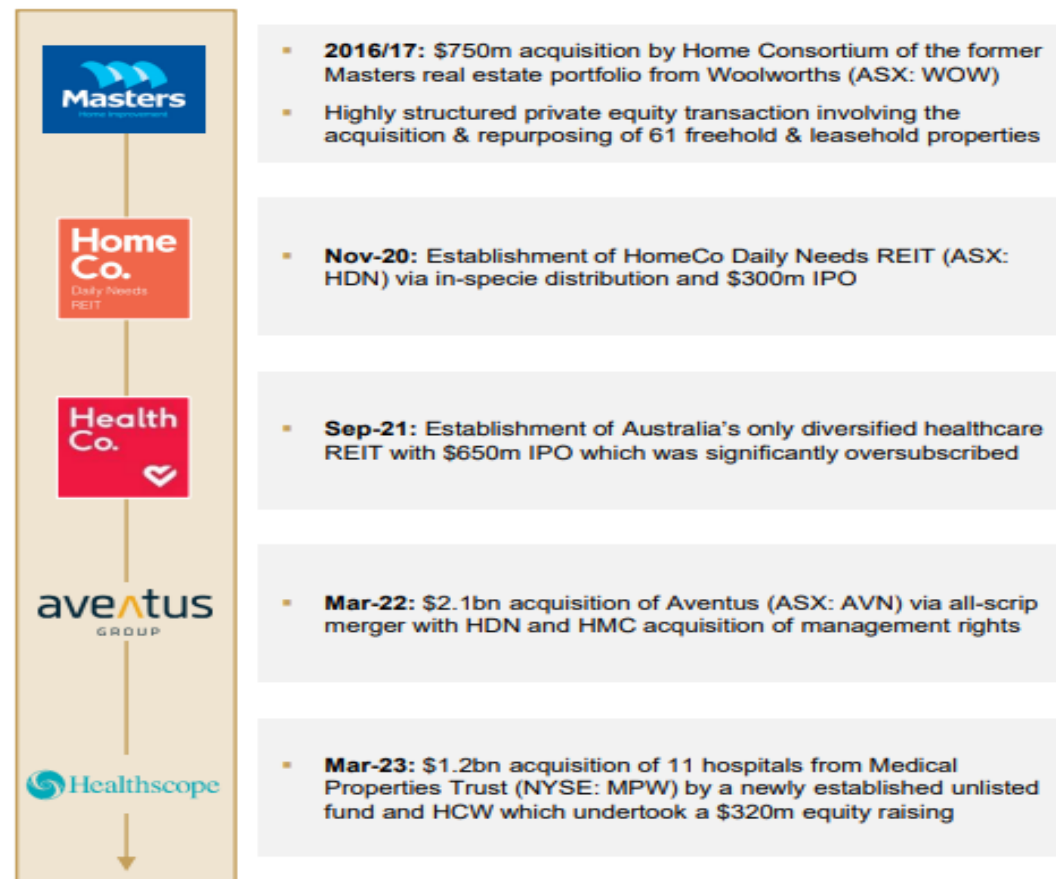
Aurizon ASX Announcement; As at 21 October 2021

1: S&P Market Intelligence (Mine projects: all commodities excluding precious metals, diamonds, coal and uranium. Project status: exploration to pre-production)

- ❑ High conviction, diversified alternative asset manager with strong investment track record
- ❑ Recurring revenues from high quality tenant base.
- ❑ Scalable platform backed by high quality management team.
- ❑ FY24e PE 13.8x & yield 3.3%



Major Transactions – Track Record



Past performance is not a reliable indicator of future performance
 Source: HMC Capital Company report
 IML estimates as at 15 May 2023
 * Denotes forecasts

Healthco Health and Wellness REIT



- ❑ Transformational acquisition of Healthscope hospital portfolio - Mar 23
- ❑ Only listed diversified healthcare REIT :
 - demand underpinned by ageing population;
 - defensive / essential service tenant base
 - long term leases (WALE of 12.5 years)
- ❑ Rental growth - 60% of leases are min of CPI or 4% ; &
 - Growth capex for Healthscope earns min of 6%
- ❑ ~20% discount to NTA, yield 5.9% FY'24.

Private Hospitals	52%	 Healthscope becomes HCW's largest tenant   
Primary, Specialty Care & Wellness	15%	  
Childcare	13%	   
Gov't, Life Sciences & Research	9%	  
Aged care	4%	 

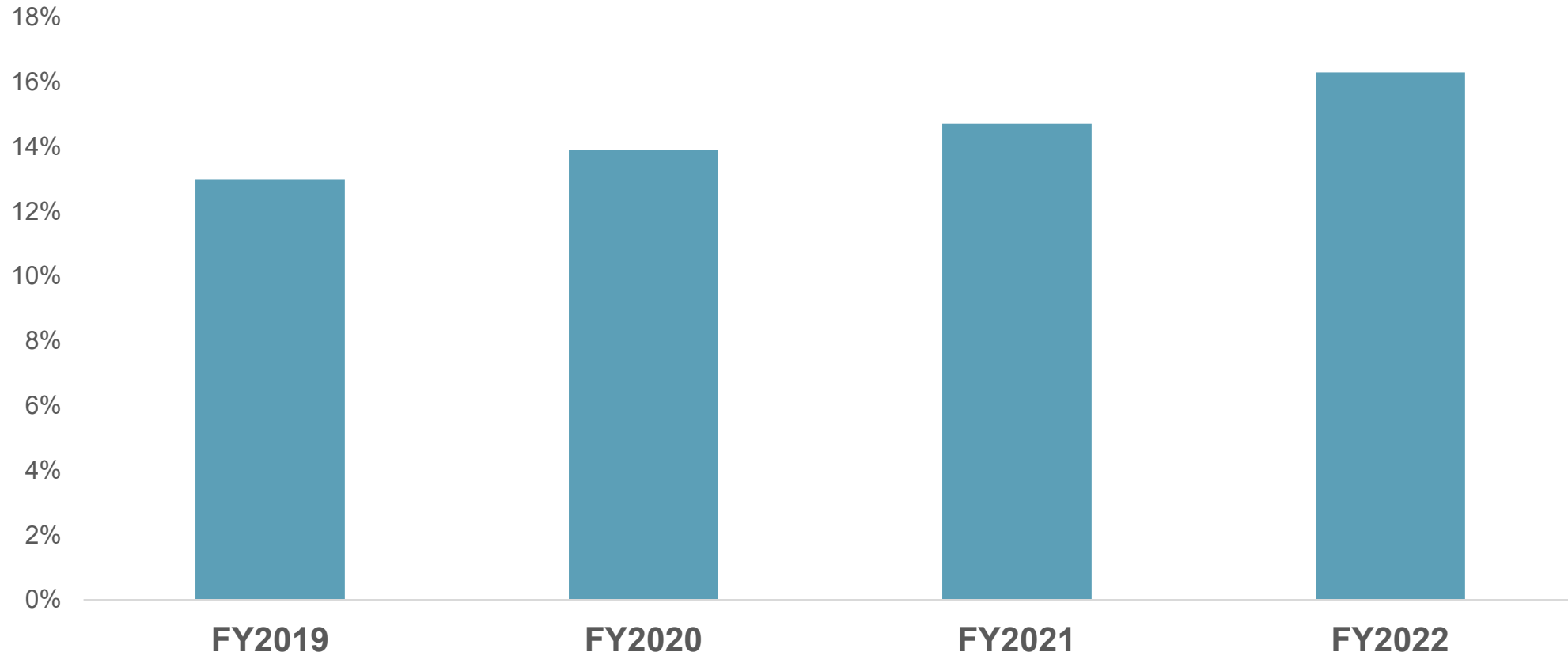
Past performance is not a reliable indicator of future performance
 Source: Healthco Healthcare & Wellness Company report
 IML estimates as at 15 May 2023



- ❑ Global leader in pallet pooling – via CHEP
- ❑ Natural scale business – monopoly or duopoly
- ❑ Relatively new management & refreshed Board
 - Increased focus on free cash flow
- ❑ PE: 19x, FY24e yield: 2.9%



Brambles Americas EBIT margin (%)

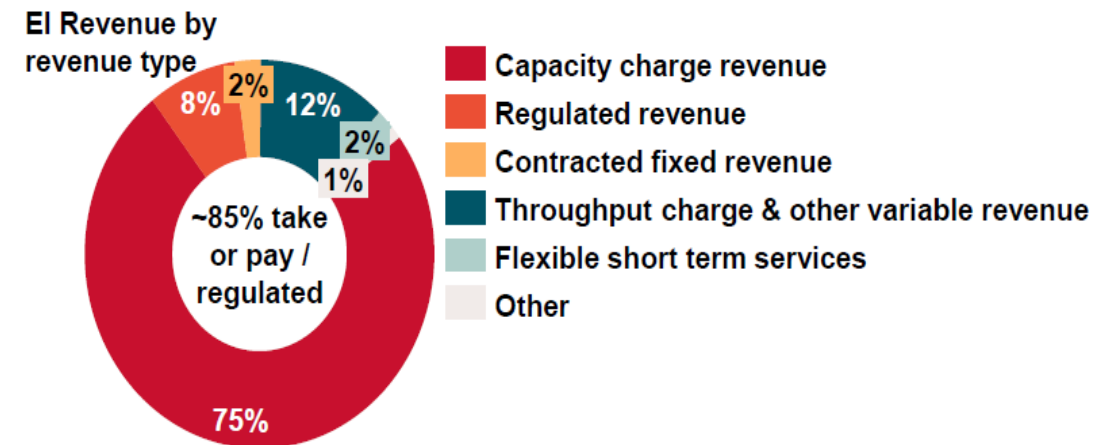
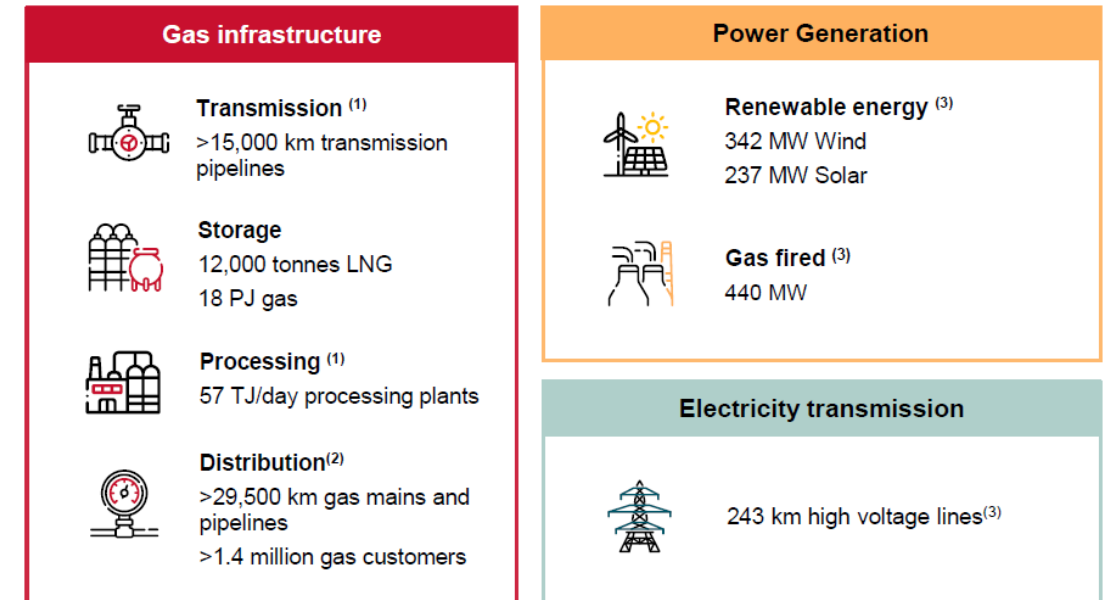


- ❑ 1 of only 3 national pathology providers in Australia.
- ❑ National unified laboratory system
- ❑ Profit growth to come from :
 - Volume growth 4-6%;
 - National contracts;
 - Bolt-on acquisitions.
- ❑ Nil premium merger proposed with Healius – significant synergies available*
- ❑ FY24e - PE: 16.3x; Yield: 4.3%



Past performance is not a reliable indicator of future performance
** Subject to ACCC and Shareholder approval*
Source: IML & ACL; Estimates as at 15 May 2023

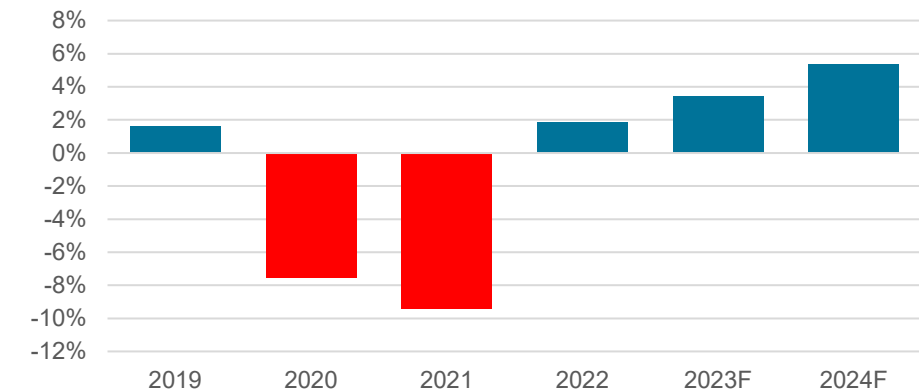
- ❑ Leading Australian owner of energy infrastructure assets
- ❑ Revenues backed by low risk, high quality, long term customer contracts. 80% of revenues CPI linked
- ❑ Strong track record of growing dividends
- ❑ Solid FCF enables reinvestment in energy transition
- ❑ FY24e PE: 5.8%, 12.1x EV/EBITDA



- ❑ Merger of TPG & Vodafone => full service telco.
- ❑ Multiple growth drivers:
 - Supportive mobile pricing environment
 - Mobile sub growth / share gains from immigration, proposed MOCN deal with TLS
 - fixed wireless opportunity – high margin NBN alternative
- ❑ Monetising infrastructure assets – Fibre (with Towers now sold)
- ❑ Highly cash generative business trading on **17.7x FY24 adjusted* PE; yield: 4.5%**



Vodafone service revenue growth

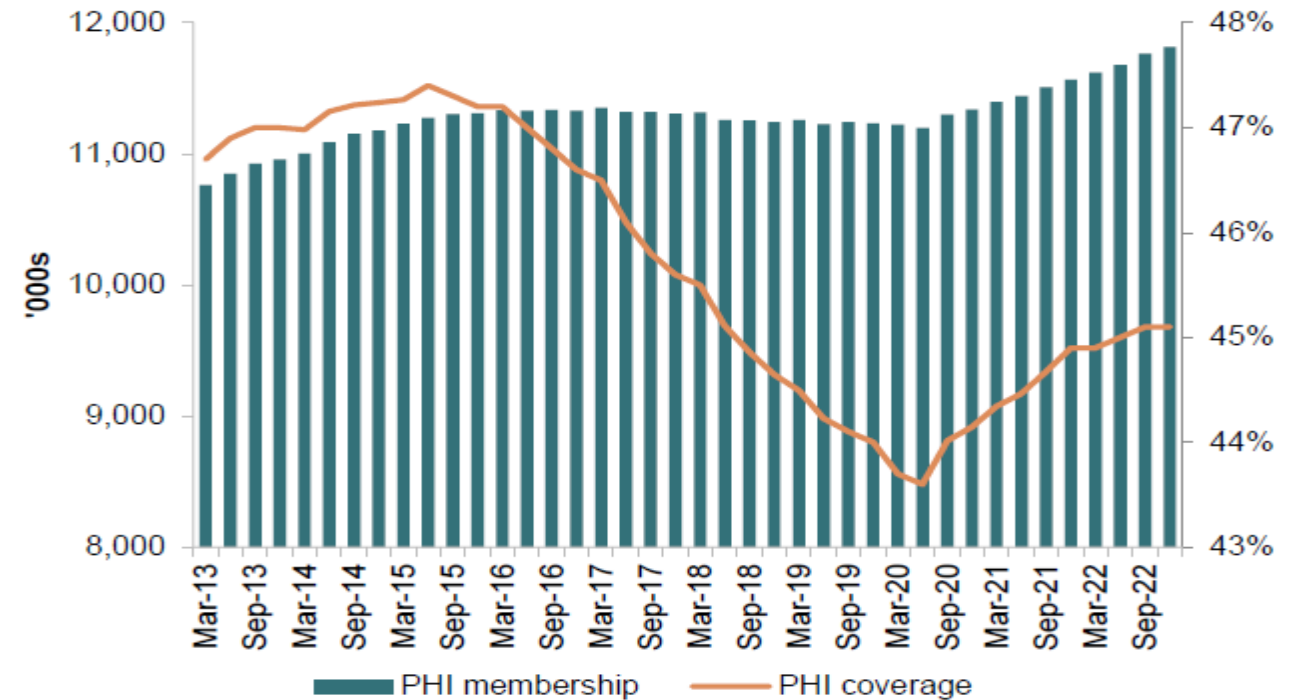


❑ Leading domestic private health insurer

❑ Positive industry and operating trends

❑ FY24e PE: 18x yield: 4.7%

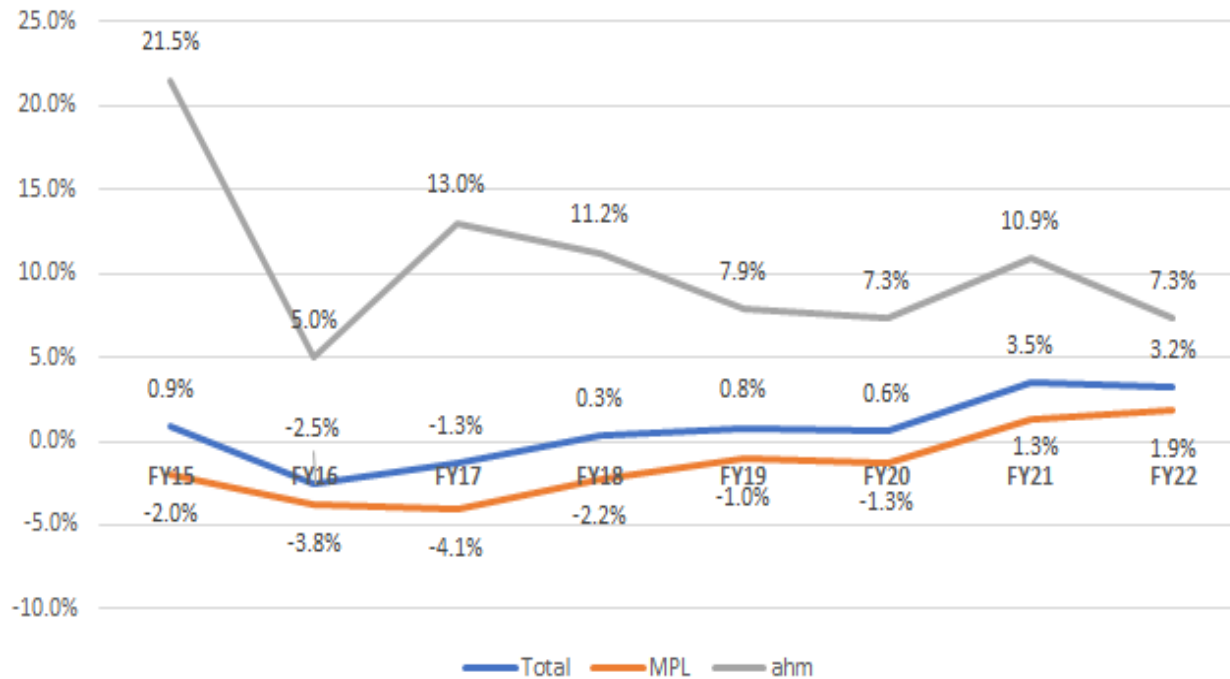
Private Health Insurance covered lives and participation rate



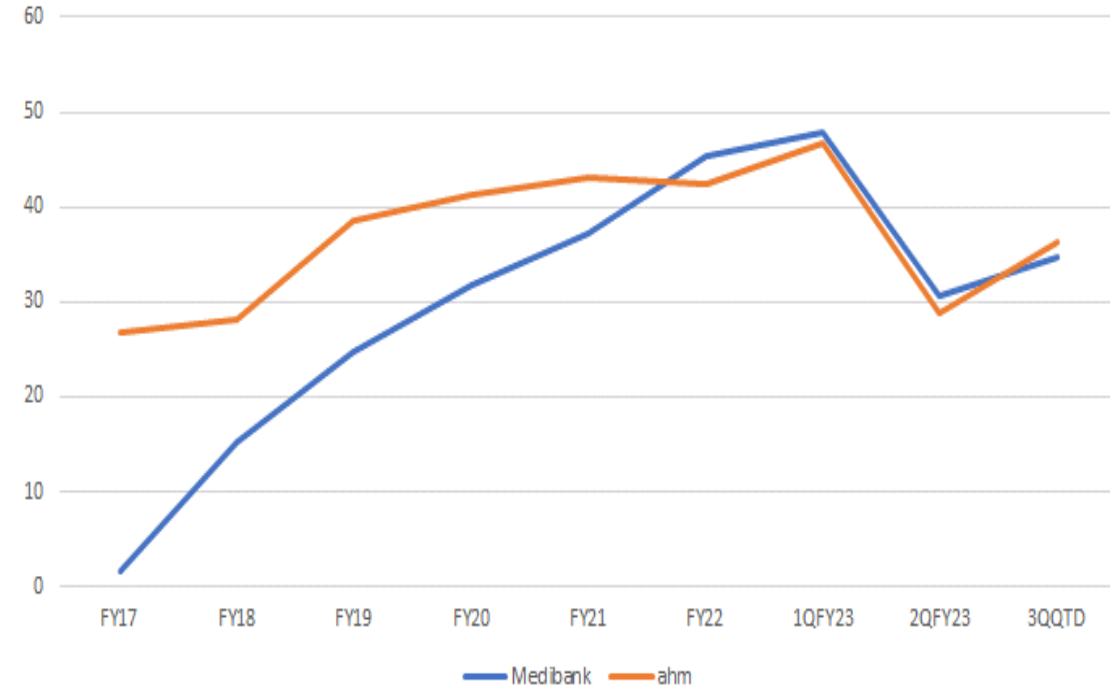
Past performance is not a reliable indicator of future performance
 Source: NSW/VIC/QLD/WA Health Departments, Barrenjoey, APRA quarterly statistics;
 As at 28 February 2023
 IML estimates as at 15 May 2023

- Improvement in key policyholder growth metrics
- Customer NPS scores rebounding quickly post cyber incident
- Differentiating through health services: home rehab, gap free procedures

MPL Policyholder growth %



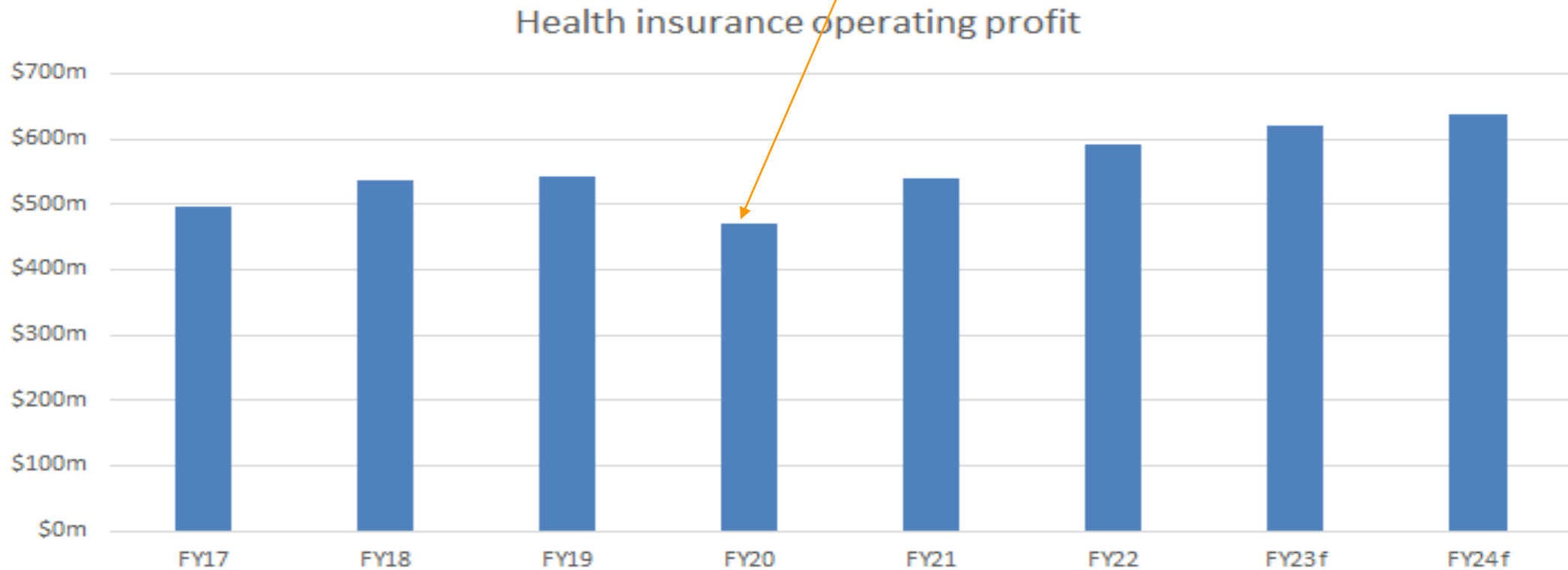
NPS customer advocacy scores by brand



Past performance is not a reliable indicator of future performance
Source: MPL company reports; As at 28 February 2023

- ❑ No debt, strong capital position
- ❑ Strong income generation

COVID provision



Disappointing performers

❑ Mayne Pharma:

- New experienced US management team
- Corporate restructuring
- Focused now primarily on US women's healthcare

❑ Pact Group: Continues to underperform peers

- \$ 1.9b revenue company, now capped at c.\$ 300m
- Asset sales and cost outs being looked at
- Establishing a key position in the re-use resin market

Performance & NTA – as at 30 April 2023

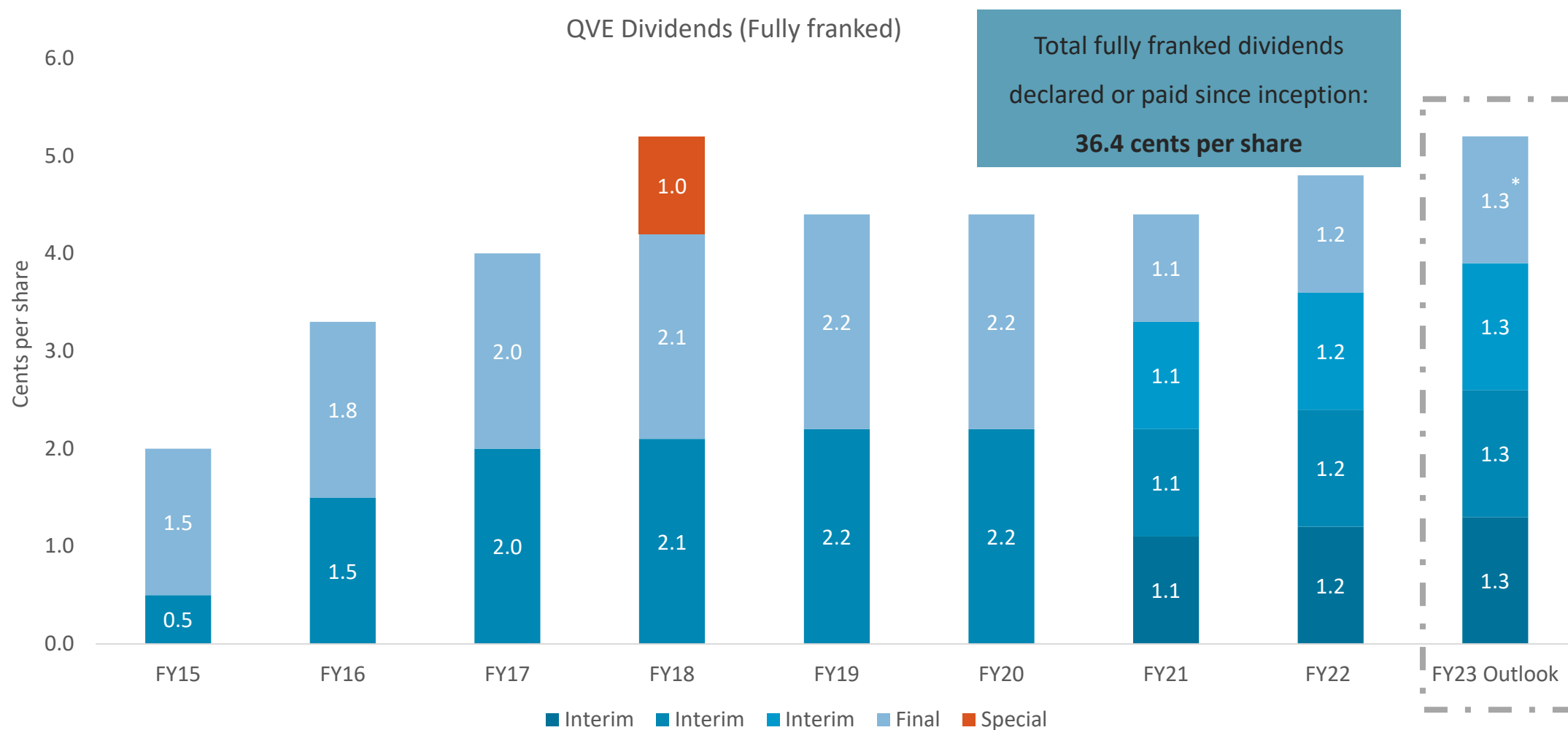
NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax	\$1.03
NTA after tax	\$1.07

**The before and after tax NTA numbers relate to the provision for tax on net profit in addition to deferred tax on the unrealised 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.*

PERFORMANCE	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK**
1 month	+1.7%	+1.2%	+3.3%
3 month	+3.4%	+2.6%	+0.8%
1 Year	-4.1%	-2.1%	-0.6%
3 Years^	+11.2%	+8.6%	+12.5%
5 Years^	+2.9%	+2.9%	+6.7%
Since Inception Total Return p.a^	+5.6%	+4.9%	+8.7%

*^% Performance per annum. ** The benchmark is the S&P/ASX 300 Ex20 Accumulation. The above returns are after fees, assume all declared dividends are reinvested, and exclude tax paid from pre-tax NTA. Past performance is not a reliable indicator of future performance.*

Historical Dividends to QVE Shareholders



*ASX Announcements as at 19 October 2022. 2023 Dividend outlook, subject to the Company maintaining sufficient profit reserves and there being no material impacts, changes or unforeseen events.

Past performance is not a reliable indicator of future performance

Source: QVE Annual reports & QVE Announcements



Many stocks being rerated positively

Holding	Mar 23 qtr return
A2B	+41.0%
United Malt Group	+36.8%
Newcrest Mining	+33.1%
GUD Holdings	+31.3%
Australian Clinical Labs	+20.8%
Medibank Private	+16.1%
Ampol	+13.2%
Brambles	+12.8%

Past performance is not a reliable indicator of future performance
Source: QVE; As at 31 March 2023

QVE's strategy

- ❑ Always on the look out for well-established, good quality stocks at the right price
- ❑ Topping up on favoured stocks in weakness
- ❑ Writing call options opportunistically to generate extra income
- ❑ Cash being used to buy back shares at the current discount to NTA

Conclusion

- ❑ Very volatile operating environment
- ❑ Extended Valuations in select large cap stocks
- ❑ Strong Resources sector – esp Iron Ore, Lithium
- ❑ Some poor performers
- ❑ Remain disciplined given the uncertain outlook

Q&A



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