

Investment Report & NTA Update

13 SEPTEMBER 2023

Net Tangible Asset Value per share as at 31 August 2023

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA*	Post Tax NTA*	Share Price	Number of Holdings
\$0.869	\$0.901	\$0.927	\$0.615	28

Investment Portfolio Performance[†]

	1 Month	3 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. [^]	Inception (Total Return) [^]
SB2	-1.98%	-2.27%	-14.98%	-10.41%	-	-2.77%	-6.16%
ASX Small Ordinaries Accumulation Index*	-1.31%	2.22%	-1.12%	-8.14%	-	-3.36%	-7.45%
Difference	-0.67%	-4.49%	-13.86%	-2.27%	-	0.59%	1.29%

[†] 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.

[^] 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 August 2023

#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	VEEM Limited (VEE)	+43.5%	+2.5%
2	Acrow Formwork & Construction Services Limited (ACF)	+11.0%	+0.8%
3	BikeExchange Limited (BEX)	+50.0%	+0.8%

Key Detractors for August 2023

#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Top Shelf International Holdings Limited (TSI)	-16.0%	-1.4%
2	OFX Group Limited (OFX)	-17.6%	-1.2%
3	Ansarada Group Limited (AND)	-9.4%	-0.5%

Key Features of the SB2 Portfolio

- Taking a two year view, the weighted average valuation upside of the listed holdings in the portfolio based on SB2 forecasts is 98.5%.
- The SB2 equity portfolio quantitatively reflects the investment philosophy of the Investment Team – that is focused on capital preservation and 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 31/08/2023) features:
 - Weighted average FY24-25F Revenue growth of +29%
 - Weighted average FY24-25F EBITDA margin of c.19%
 - Weighted average FY24-25F NPAT margin of c.6%
 - Weighted average FY24-25F P/E multiple of 8.8x

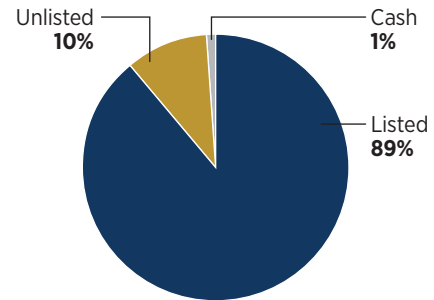
Metrics of the Portfolio*

	FY23A	FY24F	FY25F
Key Ratios			
EV / Revenue (x)	3.3x	2.1x	1.4x
EV / EBITDA (x)	7.6x	7.8x	7.7x
EV / EBIT (x)	6.3x	5.0x	7.2x
P / E (x)	7.0x	8.3x	9.2x
Portfolio Financials			
Revenue Growth (%)	+8%	+27%	+31%
EBITDA Margin (%)	15%	19%	19%
EBIT Margin (%)	6%	11%	12%
NPAT Margin (%)	2%	4%	8%

* All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 31/08/2023, adjusted for abnormalities

Portfolio Composition

- The SB2 Portfolio has 23 Listed holdings (89% of the total value), 5 Unlisted holdings (10% of the total value) and 1% cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is -\$140m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 31 August 2023.



August 2023 Monthly Update

August 2023, was a busy period for the Manager with most of our portfolio companies reporting their full year financial results to the market and provided insights for the next 12 months. After discussions with the management teams of these companies, the Manager believes the portfolio is strategically aligned for the forthcoming 12-24 months. The portfolio reported a -1.98% return in the past month broadly in line with the market.

During the month, the top three positive contributors to the portfolio were VEEM Limited (**VEE**), Acrow Formwork and Construction Services Limited (**ACF**), and BikeExchange Limited (**BEX**). The top three key detractors were Top Shelf International Holdings Limited (**TSI**), OFX Group Limited (**OFX**), and Ansarada Group Limited (**AND**).

Upon releasing their FY23 earnings, VEEM Limited (**VEE**) saw a strong market response compared to the irrational sell down in prior months. The business made considerable improvements throughout FY23, evident in the surge in both EBITDA and NPAT by 64% and 226% respectively. VEEM also fortified its position by securing an exclusive deal with Strategic Marine, pledging to acquire an additional 12 gyros over the next three years. Reflecting on these milestones, the CEO emphasised the bright prospects for FY24 and attributed the impressive revenue and earnings growth to the pivotal investments made during FY23, especially in the propeller segment.

In August, Acrow Formwork and Construction Service Limited (**ACF**) released a strong set of FY23 results in line with the Managers expectations. Including a 71% increase in underlying NPAT to \$30.5m, with further growth to come over the next 12 months. Management has put out guidance ranges for FY24 revenue and EBITDA of \$195.0m-\$200.0m (16% growth) and \$67.0m-\$70.0m (29% growth) respectively. The Manager's conviction around ACF's future prospects is high, therefore ACF continues to be one of the largest holdings within the fund.

BikeExchange Limited (**BEX**) released their FY23 results which were in line with the Manager's expectations, with a pathway to profitability a highlight to conclude from the results. The company's recent completion of the AI

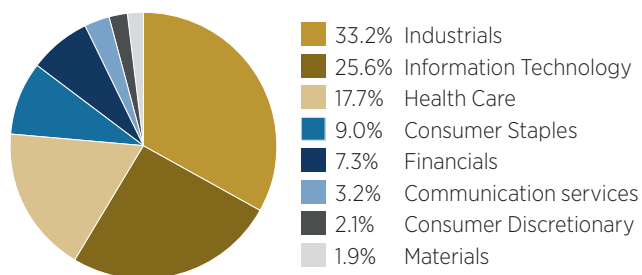
Consumer Platform stands as a testament to the strategy to be a global technology solution leader for the industry. The advanced BEX Consumer Platform incorporates an AI-driven recommendation engine, a state-of-the-art search experience, and a precise bike sizing mechanism, ensuring cyclists get the best fit. With the release of their FY23 earnings, the scalability of the BEX platform is evident with net revenue marking a 26% increase, culminating to \$8.3m. BEX undertook a 55% headcount reduction, translating to a \$1.6m underlying EBITDA improvement on pcp.

The key detractor for the month of August was Top Shelf International Holding Limited (**TSI**) who released a set of FY23 results in line with the Manager's expectations. The company who recently completed a \$30.0m raise has committed to the market a clear pathway to profitability. FY23 saw management make an annualised cost cut of \$7.5m across various departments with branded revenue for the year growing 74%. The manager believes that the ongoing restructuring will bolster the company to overcome the negative sentiment and generate strong results in the medium term.

OFX Group Limited (**OFX**) shares saw an 18% decline over the month of August, following a strong July. Despite the decline, their 1Q24 financial results were mixed. Key callouts include NOI up 25.5% vs 1Q23 and 12.6% vs 4Q23 creating positive momentum into the remainder of FY24. The business expects to deliver NOI of \$225.0m-\$243.0m and an underlying EBITDA of \$63.0m-74.0m which would be relatively flat if the business was to land at the bottom end of guidance. The company possesses a strong balance sheet, with \$67.4m of available cash of and a net debt positioned at \$18.8m.

Ansarada Group Limited (**AND**) faced a pullback in August, marking a share price decrease of 9.4%. This comes after an impressive 57.4% gain in the previous month. Regardless of this, the company's FY23 results were positive. AND reported significant ARR growth of 42% reaching \$11.4m at 30 June. With customer retention remaining strong at 89%, and they resumed their positive free cash flow in 2Q23 and continued to operate at a positive free cash flow level for the remaining quarters of FY23, indicating steady financial health into FY24.

Portfolio Sector Weights



Top 5 Holdings

1. Top Shelf International Holdings Ltd (ASX:**TSI**)
2. Acrow Formwork and Construction Svc Ltd (ASX:**ACF**)
3. Veem Ltd (ASX:**VEE**)
4. Probiotec Ltd (ASX:**PBP**)
5. OFX Group Ltd (ASX:**OFX**)

Investment Team



Gregg Taylor

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



Advait Joshi

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



Francis Crossle

Analyst
1+ years' experience

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Authorised for release by the Board of SB2.

Important information

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