

RYDER CAPITAL LIMITED

7 November 2023

Market Announcements Platform
Australia Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

2023 Annual General Meeting – Chairman’s Address

Please find attached the Chairman’s address for Ryder Capital Limited’s Annual General Meeting held today.

Yours faithfully,



David Bottomley
Director and Company Secretary

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2023 Annual General Meeting – Chairman’s Address

On behalf of the Board, I would like to welcome all Ryder Capital Limited (Ryder or Company) shareholders and other visitors present here today to our eighth Annual General Meeting. As we have a quorum, I now declare the Annual General Meeting open.

My name is Peter Constable and I am Chairman of Ryder. Our Board present here today consists of David Bottomley, Executive Director and Ray Kellerman, Non-Executive Director.

FY23 marked our eighth year since the Company was established in September 2015, and it was another challenging year for investors and shareholders alike. While not alone, Ryder’s performance was again well below expectations in what was and remains an extremely difficult investing environment for Ryders deep value, small/micro-cap investing approach. FY23 will be recorded as another negative year for Ryder, particularly when compared with the Company’s first 6 years of operation, with underperformance coming from mark to market movements, together with a very disappointing and material reduction in the carrying value to our long held investment in Updater Inc. which I will expand on later in this address. Our Portfolio companies are trading at historically very low valuations whilst maintaining strong investment fundamentals, including high quality management, steady cash flows and robust balance sheets which we expect will support a recovery in share values and positive Portfolio performance in time.

Recent volatility and negative investment returns have materially impacted our short to medium term returns, with only Ryder’s since inception undiluted pre-tax return (after all fees and expenses) to 30 September 2023 of 7.92% p.a. outperforming both the Company’s benchmark and that of our most comparable index, the ASX Small Ordinaries Accumulation return of 7.17% p.a., while underperforming against the All Ordinaries Accumulation return of 8.65% over the equivalent period. Long term returns are fundamental when measuring the success or otherwise of a patient, long only strategy such as Ryders. FY23 has seen a narrowing of our longer-term outperformance so it goes without saying that short term returns do count in the long term. To this end, we are entirely focussed on improving our performance in what is expected to remain a volatile and uncertain investment environment.

The first quarter of FY24 has seen an improvement, with a positive pre-tax NTA return of +1.19% for the September quarter, outperforming both the Small Ordinaries Index which fell (1.94%) and the Emerging Companies Index which fell by (5.26%).

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FY23 Financial Performance

During FY23 several long-term Portfolio investments were sold on valuation grounds realising net gains of \$4.5m before the payment of \$5.9m in dividends, which is reflected in the Company's capital profits reserve decreasing 5% to \$27.4m. The Company's profit reserve rose from \$1.1m to \$2.7m and when the profit reserve is added to the Company's capital reserve it takes total distributable profits to \$30.2m, equivalent to \$0.36 per share. This increase in total distributable profits is net of \$5.9m in dividends paid during the period and excludes (\$18m) of net unrealised losses in the Portfolio at 30 June 2023. Dividends paid during the year totalled \$0.07 per share fully franked, steady on FY22.

Over the course of FY23, the Company bought back approximately 1.3m shares for an outlay of \$1.5m resulting in an average cost of \$1.15 per share. The Company will continue to buy back shares where it is accretive, balanced against the benefits of holding cash for generating growth in the Company's Net Tangible Assets (NTA). NTA per share decreased from \$1.36 per share to \$1.19 per share during the reporting period. Noting this decrease was after the payment of 7.0 cents per share in fully franked dividends and including a minor tax refund.

Investment Performance

On 22 September 2023 Ryder completed its eighth anniversary as a listed investment company and its pre-tax undiluted NTA return (after all fees and expenses) continues to outperform both its benchmark and the ASX Small Ordinaries Accumulation on a since inception time frame as summarised below:

	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception ⁽³⁾ (% p.a.)
RYD - Gross Portfolio Performance	1.57	-8.99	-8.95	-2.08	5.42	11.68
RYD - Pre-tax Undiluted NTA Return ⁽¹⁾	1.19	-9.70	-10.34	-4.51	2.34	7.92
RYD - Pre-tax NTA Return ⁽²⁾	1.24	-9.78	-10.45	-8.45	-1.42	4.79
S&P ASX All Ordinaries Accumulation Index	-0.66	0.34	13.09	10.77	6.81	8.65
S&P ASX Small Ordinaries Accumulation Index	-1.94	-2.47	6.85	2.57	1.63	7.17
S&P / ASX Emerging Companies Accumulation Index	-5.26	-7.60	3.60	7.35	7.96	10.08
RYD Hurdle - RBA Cash Rate + 4.25%	2.04	4.04	7.76	5.65	5.46	5.61

1. Adjusted for the dilution of the exercised 26.7m RYDO options and 26.5m RYDOA options. Calculation of pre-tax NTA is prior to the provision and payment of tax.

2. Fully diluted for all options exercised since inception.

3. Inception Date is 22 September 2015.

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Updater Inc.

Turning now to two individual stocks in the Portfolio. In May this year Updater launched a USD40m placement of preferred stock based on a post-money enterprise value of USD295m. Following the placement of preferred stock Ryder revalued the investment's carrying value down by (\$0.1169) per RYD share, consistent with the equity issuance price. Ryder subscribed for USD1.4m in the Updater placement, resulting in a Portfolio valuation (post investment) of ~AUD2.6m, and as of 30 June 2023 represented a Portfolio exposure of 2.6%, noting this excludes the value of warrants attaching to the placement shares.

Despite a very disappointing process and capital raising outcome we concluded there was sufficient value in the Updater investment thesis to justify risking additional capital, specifically given the proximity of the valuable US TRANSCOM Global Household Goods contract. It was our assessment that the enterprise value implied at the time of capital raising did not reflect the inherent value in Updater, but rather reflected poor timing for an undercapitalised company seeking equity during what was and remains an extremely challenging period for private loss-making US technology companies.

We expect the capital raised under the placement would enable Updater to at least reach the point of a debt refinancing and/or shareholder equity liquidity event as positive quarterly EBITDA materialises, and general market conditions stabilise. Ryder also welcomes an enlarged and more independent Board structure for Updater as part of the capital raising transaction.

On 11 September US TRANSCOM announced that the expected launch date for the Global Household Goods Contract and as a consequence Updaters technology component (HomeSafe Connect) had been delayed (from September 2023) to later in 2023, with a new launch date currently being negotiated between the key stakeholders. Further delays put pressure on Updaters financial position, and it is therefore imperative that Updater is adequately compensated for current and subsequent delays. We anticipate further disclosure on this situation in coming months.

BCI Minerals Limited

Turning to our investment in BCI Minerals Limited (BCI), Ryder invested a further \$5m in BCI last month via a convertible note (Note) to support BCI to continue with ongoing critical path activities at the Mardie project in advance of a finalised funding package. The Note provides an attractive structured opportunity to increase our exposure to the Mardie Project which continues to progress well achieving several significant milestones post the release of its updated base case cost to complete estimates in

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June, following a ~12 month review. BCI have secured the total required project debt finance of \$981m with support from the Northern Australia Infrastructure Fund (NAIF), Export Finance Australia (EFA), Export Development Canada (EDC) and commercial banks. Additionally, BCI have also secured non-binding offtake agreements for ~40% of future salt production from MIND ID and Itochu. We remain confident in the outlook for the Mardie project and expect the company to finalise its funding package this calendar year.

Dividends

This year Ryder's tax rate fell from 30% to 25% reducing tax payable for the year, resulting in the imputation rate for dividends paid in FY24 to also fall to 25%. So that Shareholders are no worse off on an after-tax basis, the Board decided to lift the final full year dividend by \$0.0025 (or +6.25% on FY22) to compensate Shareholders for the reduction in the imputation rate by declaring a \$0.0425 fully franked final dividend. This resulted in FY23 total dividends declared of \$0.0725 per share fully franked (up from \$0.07 per share fully franked in FY22).

Share Price and NTA Discount

The Company's share price decreased from \$1.30 to \$0.97 during the year. When taking into account \$0.07 per share in fully franked dividends paid during the year, the FY23 Ryder share price return was (20%) compared to the undiluted pre-tax NTA return of (7.63%) reflecting a widening of the discount to fully diluted NTA from approximately 5% to 19% - noting this analysis excludes the tax benefits of franking credits received.

The Board are increasingly concerned by the ongoing poor liquidity and large and consistent discount to NTA that Ryder shares trade at. This situation presents a problem for Shareholders wishing to realise their investment in Ryder. The Board has recently commenced a review of a range of alternatives to best solve for these dual problems of poor liquidity and the discount to NTA and anticipates being in a position to report to Shareholders no later than February 2024 the outcomes and proposed course of action from this review. In the interim, the Board have instructed the Manager to continue to buy back shares where it is accretive, balanced against Portfolio liquidity and investment opportunities.

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Outlook

Consistent with our outlook commentary in the FY23 Annual Report, we are maintaining our cautious outlook. The Australian economy continues to weaken, though well supported by our Government's record setting immigration policy which is placing further pressure on a capacity constrained economy, forcing interest rates higher, and possibly for longer, negatively impacting balance sheets, corporate profits and equity valuations.

This view is now more prevalent than earlier this year, accounting for much of the ongoing and widening underperformance of smaller companies (versus mid and large caps), both in Australia and abroad. As prices continue to factor in the deteriorating outlook, they will at some point price in the worst of outlooks and find a bottom. Of course, timing this is not easy, however with some companies already trading at valuations providing more than sufficient compensation, timing becomes less relevant to us as this negative outlook is sufficiently, or in some cases more than priced in. This scenario will ultimately lead to positive performance despite a weak near-term outlook, as the market is very effective at looking forward through the short term and at some point, will begin to price an earnings recovery and a new growth cycle/more stimulatory rate environment.

We don't propose to know when we will get to the point when the economy/corporate earnings base out and so we continue to invest with caution in companies with solid balance sheets, that generate free cashflow and have resilient business models that can successfully trade through a weak economic environment/recession.

Tactically, we are actively managing Portfolio positions and raising cash where sensible, whilst maintaining an overall market insurance position of ~15-20% of the Portfolio. Our 30 June 2023 distributable profits reserve of 36 cents per share, of which 25 cents per share is fully frankable, positioning the Company well to pay steady to increasing fully franked dividends to Shareholders over time.

At 30 September 2023 our Portfolio cash was ~\$10.5m or approximately 10.9% of the Portfolio, providing the Company with a solid foundation as we progress through this period of heightened market volatility.

Peter Constable

Chairman

7 November 2023

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