

Investment Report & NTA Update

13 JUNE 2024

Net Tangible Asset Value per share as at 31 May 2024

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	% Discount to NTA*
\$0.934	\$0.961	\$0.976	\$0.60	38.52%

* Percentage discount to NTA is calculated from the post tax NTA.

Investment Portfolio Performance[†]

	1 Month	3 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. [^]	Inception (Total Return) [^]
SB2[#]	2.09%	-3.05%	5.14%	-0.06%	-0.56%	0.12%	0.36%

[#] Salter Brothers Emerging Companies Limited (ASX:SB2)

[†] 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.

Key Listed Contributors & Detractors

Key Contributors for May 2024				Key Detractors for May 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)	#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Medadvisor Ltd (MDR)	+46.7%	+2.4%	1	Top Shelf International Holdings Ltd (TSI)	-32.4%	-3.0%
2	OFX Group Ltd (OFX)	+27.7%	+2.4%	2	Felix Group Holdings Ltd (FLX)	-17.5%	-0.7%
3	RPMGlobal Holdings Ltd (RUL)	+11.3%	+0.5%	3	Ai-Media Technologies Ltd (AIM)	-8.7%	-0.6%

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 greater than 80%.
- 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 31/05/2024) features:
 - Weighted average FY24-25F Revenue growth of +17%
 - Weighted average FY24-25F EBITDA margin of c.15%
 - Weighted average FY24-25F NPAT margin of 6%
 - Weighted average FY24-25F P/E multiple of 9.8x

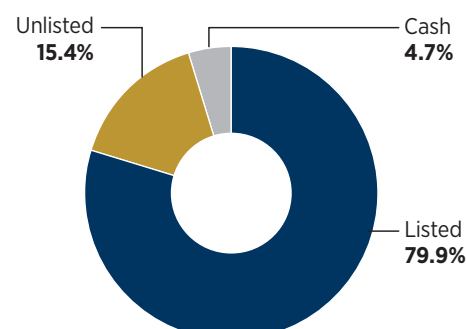
Metrics of the Listed Portfolio**

	FY23A	FY24F	FY25F
Key Ratios			
EV / Revenue (x)	2.7x	2.1x	1.7x
EV / EBITDA (x)	10.7x	9.5x	8.5x
EV / EBIT (x)	10.5x	9.0x	7.5x
P / E (x)	13.2x	10.8x	8.7x
Portfolio Financials			
Revenue Growth (%)	34%	17%	16%
EBITDA Margin (%)	10%	14%	16%
EBIT Margin (%)	4%	7%	10%
NPAT Margin (%)	-1%	4%	7%

**All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 31/05/2024, adjusted for abnormalities.

Portfolio Composition

- The SB2 Portfolio has 24 Listed holdings (79.9% of the total value), 5 Unlisted holdings (15.4% of the total value) and 4.7% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is ~\$186m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 31 May 2024.
- A key requirement of the Australian Significant Investor Visa regime is that the Fund invests in companies with a market capitalisation of less than \$500m. As such the Fund has a microcap bias and the Fund performance is driven by the performance of this sector of the market.



May 2024 Monthly Update

The portfolio performed strongly in the month of May, achieving a monthly return of 2.09%, outperforming the ASX Emerging Companies Accumulation Index, which posted a 0.6% return. This strong performance was primarily driven by core holdings within the portfolio, which delivered results that met or exceeded expectations. This ongoing confidence is underpinned by the strong results of key holdings, reinforcing the belief that these core investments will continue to thrive.

During the month, the top three positive contributors to the portfolio were Medadvisor Ltd (**MDR**), OFX Group Ltd (**OFX**) and RPMGlobal Holdings Ltd (**RUL**). The top three key detractors were Top Shelf International Holdings Ltd (**TSI**), Felix Group Holdings Ltd (**FLX**) and Ai-Media Technologies Ltd (**AIM**).

Medadvisor Ltd (**MDR**) significantly contributed to the positive returns. In May, MDR's market update highlighted growth in the US and Australia, releasing FY24 guidance for the upcoming full-year result, projecting revenue between \$120M and \$123M and EBITDA of \$6.8M to \$7.6M. This announcement beat market expectations and was driven by THRIV in the US and increased transaction fees in Australia. The Manager remains confident in MDR and will continue to monitor the position, believing that its innovative approach and market positioning will drive further value for the portfolio.

OFX Group Ltd (**OFX**) emerged as a positive contributor following the release of their impressive full-year results in May, which beat market expectations. The integration of Firma and Paytron progressed well, with synergies from Firma exceeding targets. OFX generated strong cash flows, delivering \$60.6M in net cash from operating activities and held \$88.0M in net cash as of March 31, 2024. The company's outlook is positive, with plans to expand its support for B2B clients and offer new services beyond FX, projecting NOI growth of at least 10% per annum and an underlying EBITDA margin of 28%-30% over the next three years. The Manager's conviction around OFX future prospects is high and continues to be one of the core holdings within the fund.

RPMGlobal Holdings Ltd (**RUL**) continued to be a solid holding, contributing positively to the portfolio. In May, RUL announced the extension of its on-market share buy-back program, part of its ongoing capital management strategy.

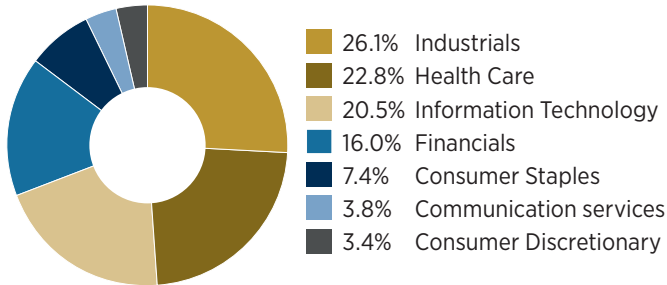
The buy-back program, which was due to expire on 13 June 2024, was extended for an additional 5% of the company's shares on issue, through to 13 June 2025. To date, RUL has bought back \$20.48 million shares, at an average price of \$1.63 per share. The decision to extend the buy-back program reflects the company's strong cash position, with \$32.2 million in available cash and its commitment to enhancing shareholder value.

The main detractor in May was Top Shelf International Holdings Limited (**TSI**). TSI carried out a capital raise by implementing a 2 for 3 non-renounceable entitlement offer to raise up to \$13.9 million at a price of \$0.10 per share, in which the Manager participated. As part of this offer, shareholders were entitled to receive 1 free attaching option for every 2 shares applied for and issued. The funds raised will be used to repay the Longreach Financing Facility, cover transaction expenses, and provide working capital. Despite the potential advantages of this infusion of capital, TSI has retracted to its issue price of \$0.10. The restructuring efforts are expected to strengthen the company, enabling it to overcome the prevailing negative sentiment and deliver strong results in the medium term.

Felix Group Holdings Ltd (**FLX**) was another detractor, primarily due to low liquidity. FLX experienced elevated price volatility. Despite the fluctuations, the Manager maintains confidence in FLX's underlying business model and strategic direction, anticipating that the market will eventually recognise the company's intrinsic value.

Ai-Media Technologies Ltd (**AIM**) is another example of a small cap drifting down in price with no catalyst. AIM is a major beneficiary of AI developments in voice to text for live broadcasting and is very well positioned to accelerate profitable growth in the FY25 and FY26 years. The Manager maintains our high conviction view that AIM is poised for a positive re-rate in the medium term.

Listed Portfolio Sector Weights



Top 5 Holdings

1. OFX Group Ltd (ASX:**OFX**)
2. Ai-Media Technologies Ltd (ASX:**AIM**)
3. Close the Loop Ltd (ASX:**CLG**)
4. Smart Parking Ltd (ASX:**SPZ**)
5. Top Shelf International Holdings Ltd (ASX:**TSI**)

Investment Team



Gregg Taylor

Investment Director
25+ years' experience
Previous:
Schroders Investment Management and
Bombora Investment Management



Tineyi Matanda

Investment Director – Funds Management
17+ years' experience
Previous: PwC



Keegan Cuolahan

Analyst
3+ years' experience



Francis Crossle

Analyst
2+ years' experience

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Authorised for release by the Board of SB2.

Important information

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