

Investment Report & NTA Update

9 AUGUST 2024

Net Tangible Asset Value per share as at 31 July 2024

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	% Discount to NTA*
\$1.016	\$1.038	\$1.034	\$0.615	-40.52%

* 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[#]	7.94%	11.24%	14.78%	0.26%	-0.38%	2.61%	8.54%

[#] 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 July 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Alcidion Ltd (ALC)	+59.6%	+2.95%
2	Ai-Media Technologies Ltd (AIM)	+30.9%	+2.46%
3	Smart Parking Ltd (SPZ)	+22.3%	+1.47%

Key Detractors for July 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	PYC Therapeutics Ltd (PYC)	-21.7%	-0.7%
2	Close The Loop Inc (CLG)	-10.3%	-0.6%
3	RPMGlobal Holdings Ltd (RUL)	-4.2%	-0.2%

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 31/07/2024) features:
 - Weighted average FY24-25F Revenue growth of c.+18%
 - Weighted average FY24-25F EBITDA margin of c.18%
 - Weighted average FY24-25F NPAT margin of c.6%
 - Weighted average FY24-25F P/E multiple of 6.7x

Metrics of the Listed Portfolio**

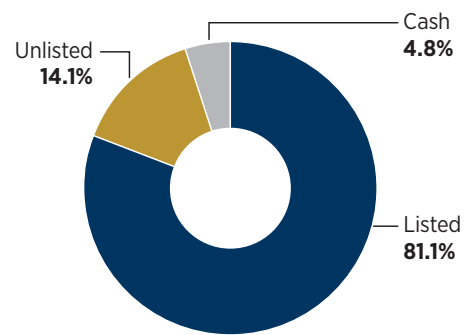
	FY23A	FY24F [#]	FY25F
Key Ratios			
EV / Revenue (x)	2.3x	2.0x	1.6x
EV / EBITDA (x)	10.3x	9.7x	7.4x
EV / EBIT (x)	10.4x	7.5x	6.5x
P / E (x)	11.6x	8.0x	5.4x
Portfolio Financials			
Revenue Growth (%)	30%	16%	19%
EBITDA Margin (%)	10%	15%	20%
EBIT Margin (%)	3%	6%	12%
NPAT Margin (%)	-2%	3%	8%

**All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 31/07/2024, adjusted for abnormalities.

[#] FY24 actual data will be released in the coming earnings month.

Portfolio Composition

- The SB2 Portfolio has 23 Listed holdings (81.1% of the total value), 6 Unlisted holdings (14.1% of the total value) and 4.8% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is ~\$198m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 31 July 2024.
- A key requirement of the Australian Significant Investor Visa regime is that the portfolio invests in companies with a market capitalisation of less than \$500m. As such the portfolio has a microcap bias and the portfolio performance is driven by the performance of this sector of the market.



July 2024 Monthly Update

July was an exceptional month for the portfolio, delivering a solid return of 7.94%, significantly outperforming the ASX Emerging Companies Index, which posted a modest increase of 0.2%. This substantial outperformance reflects the portfolio's strategic positioning, and it was particularly pleasing that the performance was driven by strong quarterly results from our core holdings.

As we approach the FY24 results reporting season in the month of August, the portfolio is well placed to benefit from further key data points from our portfolio companies within the small-cap sector. While the broader Australian market continues to grapple with increased uncertainty and volatility linked to the global macroeconomic environment, the fundamentals and relative valuations of the small cap sector remain attractive.

During the month, the top three positive contributors to the portfolio were Alcidion Ltd (**ALC**), Ai-Media Technologies Ltd (**AIM**), and Smart Parking Ltd (**SPZ**). The top three key detractors were PYC Therapeutics Ltd (**PYC**), Close The Loop Inc (**CLG**), and RPMGlobal Holdings Ltd (**RUL**).

Alcidion (**ALC**), made significant strides this month with 2 material new customer wins. In Australia the first announcement was a long-term partnership with Hume Rural Health Alliance (HRHA) for the use of its Miya Precision platform as an enterprise digital solution. This contract, valued at approximately \$4m over five years, will enhance patient flow and virtual care in the region. The second announcement in the UK market was that, Alcidion was selected as the preferred supplier for North Cumbria Integrated Care NHS Foundation Trust's new Electronic Patient Record (EPR) system, a potential 10-year contract valued between A\$30-40 million. These developments, combined with positive cash flow results and record quarterly cash receipts, underscore Alcidion's strong market position and growth potential.

July saw Ai-Media Technologies (**AIM**) maintaining its share price strength despite no new announcements, largely due to positive sentiment following the MD recently buying shares on market and speaking more openly about the medium-term growth opportunity ahead. The company is on track to be a global beneficiary of AI developments in voice to text translation for live media.

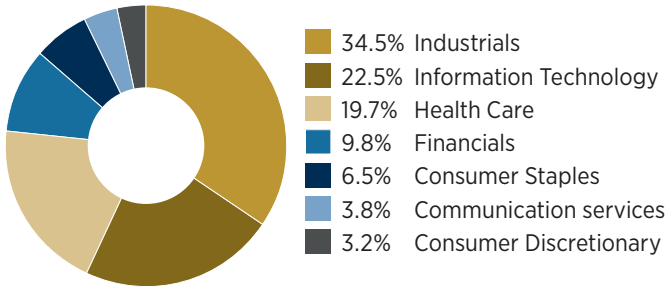
Smart Parking's (**SPZ**) performance was bolstered by the election of a Labour Government in the UK, reducing regulatory risks. With Keir Starmer as the new UK Prime Minister, it is unlikely that the previous government's plans to lower maximum parking charges will be revived. This political stability, coupled with expected strong financial results for FY24, has positively impacted investor sentiment. Smart Parking is projected to report significant year-over-year growth in revenue and EBITDA, reflecting its strong operational leverage and strategic expansion. The Manager believes Smart Parking's growth trajectory is just beginning, with substantial potential for further advancements.

PYC Therapeutics (**PYC**) experienced a market reaction that did not fully reflect its positive developments. The company completed the first dose in its Multiple Ascending Dose study for Retinitis Pigmentosa type 11 (RP11), with safety and efficacy data expected by year-end. Additionally, PYC reported progress in its other drug programs, aiming to advance three candidates into human trials by the end of 2024. Despite these promising advancements, the market response was subdued, but the Manager remains optimistic about PYC's long-term potential. The Manager believes that PYC's pipeline progress is a significant milestone, and the current market undervaluation presents a compelling opportunity.

Close the Loop (**CLG**) faced challenges despite positive news about its global IT refurbishment opportunities. The company is expanding geographically, opening a new plant in Mexico, and strengthening its relationship with HP Inc. Additionally, the Circular Planet initiative continues to grow, adding HP Inc. to its roster of participants and expanding into new European markets. The Manager believes that Close the Loop is undervalued and anticipates a turnaround in its share price driven by these strategic initiatives. The recent expansions and partnerships are seen as pivotal steps that will drive future growth and value creation.

RPMGlobal (**RUL**) issued a minor downgrade to its earnings forecast for FY24, which impacted its stock performance. The downgrade was more a timing issue rather than a fundamental change to the growth profile of the Company. Despite achieving strong subscription sales and an increase in pre-contracted recurring software revenue, reduced perpetual license sales and the timing of new subscriptions affected overall profitability. The Manager remains confident in RPMGlobal's strategic focus on subscription-based revenue, which offers long-term stability and growth.

Listed Portfolio Sector Weights



Top 5 Holdings

1. Ai-Media Technologies Ltd (ASX:**AIM**)

2. OFX Group Ltd (ASX:**OFX**)

3. Smart Parking Ltd (ASX:**SPZ**)

4. Alfabs Australia Limited (ASX:**AAL**)

5. Alcidion (ASX: **ALC**)

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

This information has been prepared by SB2 and Salter Brothers Funds Management Pty Ltd ABN 94 608 295 683, an authorised representative of Salter Brothers Asset Management Pty Ltd ABN 33 119 833 760 (Australian Financial Services Licence 308971) (**Disclosers**).

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