

SANDON CAPITAL

SNC Shareholder Presentation

19 November 2024



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SANDON CAPITAL

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Opportunity – sustainable yield at a discount to NTA

ATTRACTIVE DIVIDEND YIELD

7.1%¹

DISCOUNT TO NTA

16.9%²

SOLID PROFITS RESERVES & FRANKING³

38.1 cps
7.6 cps

Highlights

- SNC shares trade at an attractive yield of 7.1% (9.5% grossed up for franking)¹
- The SNC portfolio can be bought at a 16.9% discount to NTA²
- Many of SNC's investments trade at meaningful discounts to our estimate of their intrinsic value
- Investors buying SNC today are buying a "discount at a discount"
- Current profits reserves and franking balance allow SNC to sustain the current dividend for ~4 years, all else held equal³

2.75cps fully franked final dividend

- Board expects similar interim dividend

Portfolio companies

- The bulk of the portfolio remains exposed to resilient, performing sectors of the economy
- The majority of our investments have very strong balance sheets, leaving them well placed to deal with any economic headwinds and rising interest rates, as well as undertaking capital management initiatives

Turnaround opportunities

- Board and management changes over the last two years at some companies are expected to lead to better financial and operational performance



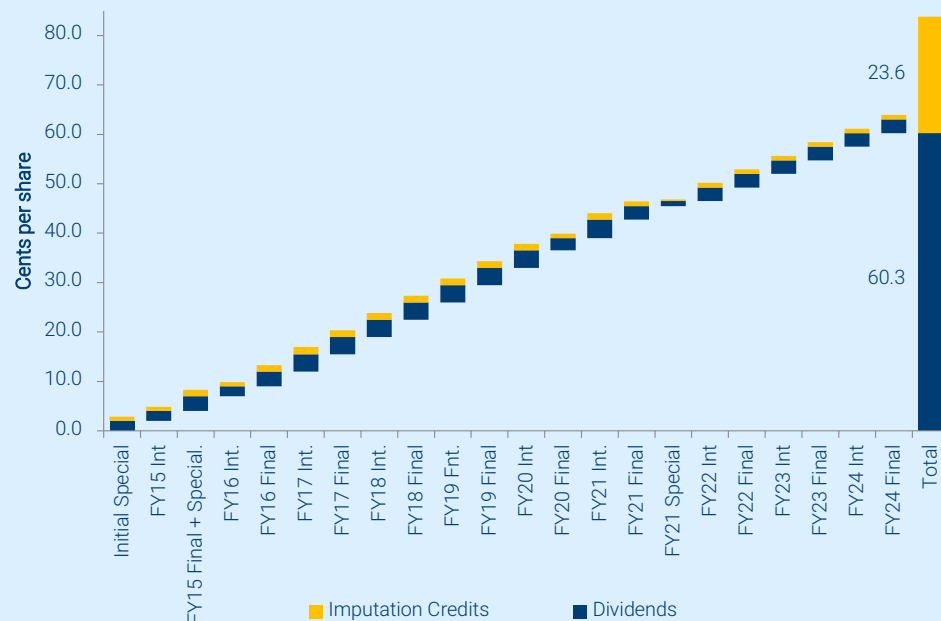
1. Based on SNC closing share price on 18 Nov 2024 (\$0.78)

2. Based on pre-tax NTA as at 31 Oct 2024

3. As at 31 Oct 2024

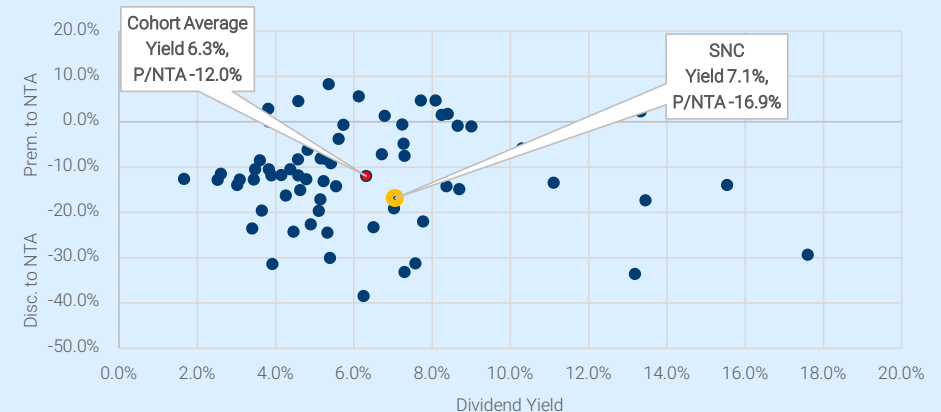
Investment Highlights

- More than 60cps of dividends and more than 21cps of imputation credits since inception



Source: Sandon Capital Investments Ltd

- Attractive yield, at a discount



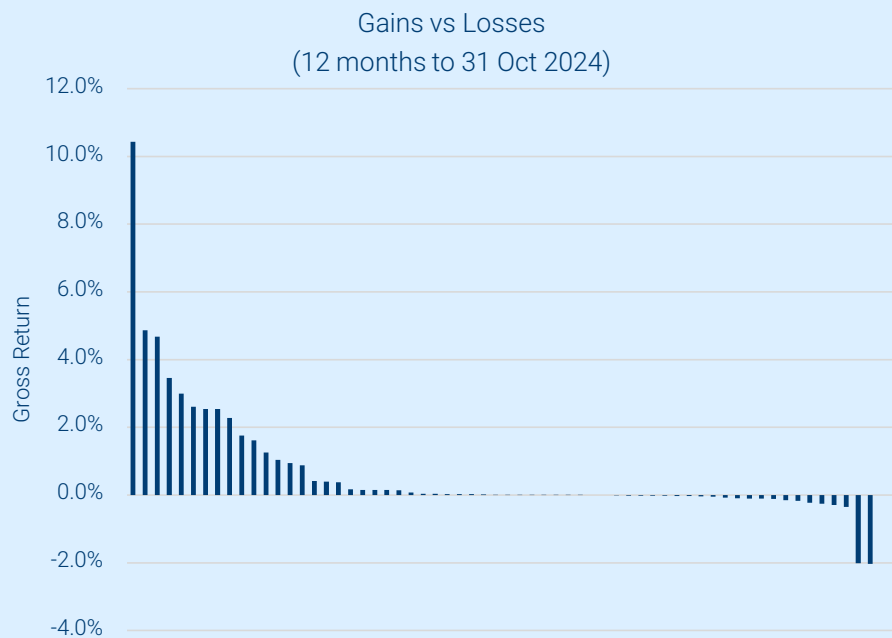
Gross Performance to 31 Oct 2024	1 yr return	3 yr return (p.a.)	Since inception (annualised)
SNC	37.6%	0.8%	9.7%
Small Ordinaries Accumulation Index	26.6%	-0.6%	7.0%
outperformance	11.0%	1.4%	2.7%
All Ordinaries Accumulation Index	25.4%	7.6%	9.0%
outperformance	12.3%	-6.8%	0.7%

Source: Bloomberg, Sandon Capital analysis. LIC price data is as of 18 Nov 2023

Note: SNC Gross performance is after management fees but before any performance fees, corporate expenses and taxes

Investment highlights 12-mths to 31 Oct 2024

- Win/loss ratio ~65% highlights investment selection and portfolio discipline



Top 5

Name	Contribution
Nuix Ltd	10.4%
A2B Australia Ltd	4.9%
Spectra Systems, Inc	4.7%
Fleetwood Ltd	3.5%
Carbon Conscious Investments Ltd	3.0%
Top 5 Total	26.5%

Bottom 5

Name	Contribution
Karoon Energy Ltd	-2.0%
COG Financial Services Ltd	-2.0%
Others all less than	-0.4%
Bottom 5 Total	-6.3%

Sources: Sandon Capital, Enfusion. Win/Loss ratio is calculated as gross return (realised & unrealised) before all fees and expenses for those investments owned during the 12 months ended 31 October 2024. This includes both realised and unrealised (marked-to market) gains and losses.

Portfolio Composition

- Selected holdings represent ~54% of the portfolio
- These companies provide exposure to:
 - SME financial services (COG)
 - Industry rationalisation (COG, CYG)
 - Infrastructure, resources, agriculture (COG, FWD, CYG, KAR)
 - Unique technologies (SPSY, NXL)
 - Strategic and operational turnarounds (FWD, CYG, MFG, MWY, NXL)
 - Capital management opportunities (MWY, SPSY, FWD, MFG, KAR, CYG)
- All operate in growing markets

Selected holdings

Spectra Systems Inc. (SPSY)	11.8%
Fleetwood Ltd (FWD)	10.6%
Carbon Conscious Investments Ltd (unlisted)	8.0%
Nuix Ltd (NXL)	7.2%
Coventry Group Ltd (CYG)	6.8%
Magellan Financial Group Ltd (MFG)	3.8%
Karoon Energy Ltd (KAR)	3.7%
Midway Ltd (MWY)	2.4%
Total Weighting	54.3%

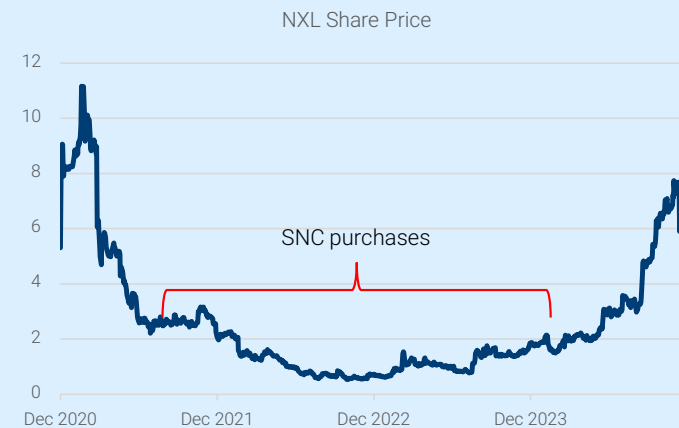
Note: weighting are as at 31 October 2024
Source: Sandon Capital Investments Ltd

Nuix Ltd (NXL)

- NXL develops and sells investigative analytics and intelligence software
- NXL listed following a highly sought after IPO (at \$5.31) in April 2020, its shares reaching \$11.16 in Jan 2021
- Downgrades on prospectus forecasts led to a spectacular fall in the share price, followed soon after by scandals, class actions and regulatory investigations
- Despite these issues, Sandon Capital identified an opportunity to buy NXL shares at prices that provided a sufficient margin of safety (average \$1.30)
- Our thesis was that the core product remained well regarded and that board and management changes could help restore confidence
- As we accumulated shares, becoming a top 20 shareholder, the company itself made changes to the Board and CEO, without any assistance from us!
- Now NXL investors have begun to focus on the potential of its software, including its new Nuix Neo product

Financial Summary

Share price	\$6.20
Market Capitalisation	\$2,045 m
Net debt / (cash) ¹	~(\$38.0m)
Enterprise Value	\$2,018 m



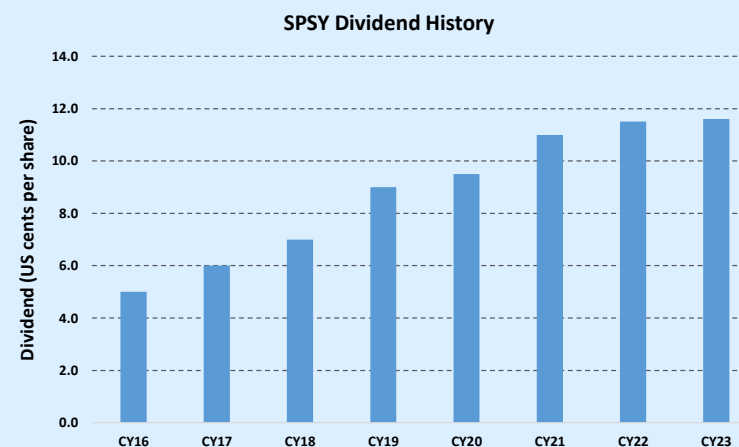
Sources: NXL Financial Reports, ASX Announcements, Bloomberg. Share price and market capitalisation is as at 18 Nov 2024

Spectra Systems, Inc. (SPSY LN)

- SPSY is a US based technology company listed on the London Stock Exchange
- Its core business is the authentication and cleaning of bank notes, with central banks as its major customers
- Its authentication products are also used in products such as coffee pods, perfume and tobacco packaging and it also provides software for gaming security
- SPSY offers highly attractive financial characteristics:
 - High revenue growth (18% in CY2022)
 - Embedded growth in existing contracts
 - High margins (>40%)
 - High growth in earnings per share (~30% p.a. since 2016)
 - Astute capital management – buy-backs, dividends
 - Strong free cash flows given its minimal capex requirements
- Cash and cash-flow generation capacity allows SPSY to consider bolt-on acquisitions, which we support, for example Cartor (a supplier of bank note polymer)

Financial Summary

Share price (GBP)	245p
Market Capitalisation (USD)	\$149.2m
Net debt / (cash) (USD)	\$1.7m
Dividend Yield	3.6%



Sources: SPSY Financial Reports, LSE Announcements, Bloomberg, Sandon Capital analysis. Share price and market capitalisation is as at 15 Nov 2024

Carbon Conscious Investments Ltd Acquisition

- CCIL manages large scale projects (~17,000 ha) registered with the Clean Energy Regulator that generate Australian Carbon Credit Units (ACCUs)
- CCIL has Carbon Plantation Agreements (CPAs) with Origin Energy and BP
 - The CPAs are management / ACCU offtake contracts that extend to December 2027 and 2025 respectively (with BP having the right to extend to 2030)
 - During the contracted period, most ACCUs are attributable to Origin and BP. CCIL's major revenue source is management and license fees
- Once the CPAs have ended, all ACCUs generated will be credited to CCIL and will become the basis of revenue through to late 2039, providing exposure to ACCU prices
- CCIL ACCUs are high quality, and attract a premium to the ACCU Spot Price
- We expect CCIL will pay fully franked dividends. It currently holds approximately \$2.3 million in cash



Source: Bloomberg

Fleetwood Ltd (FWD)

- FWD has three business units:
 - Building Solutions – Australia’s largest modular builder
 - Community Solutions – owns and manages accommodation facilities
 - RV Solutions – supplies parts, accessories and services to the recreational vehicle market
- Following a change of Board and management in late 2020, FWD’s legacy issues now appear to be in the rear vision mirror
- Building Solutions is now focused on standardised, repeatable work and has implemented a national procurement strategy which is starting to deliver benefits
- Some state governments are increasingly turning to manufactured building solutions for critical and low-cost housing
- Community Solutions is benefiting from a strong demand environment and rising room rates. Current contracts at Searipple in Karratha account for ~72% occupancy
- Board has announced an on-market buy-back in addition to dividends

Financial Summary

Share price	\$1.97
Market capitalisation	\$185.5m
Net debt / (cash)	(\$39.3m)
Enterprise value	\$121.1m
Perth property value	(~\$25m)
EV adjusted for property	\$96.1m

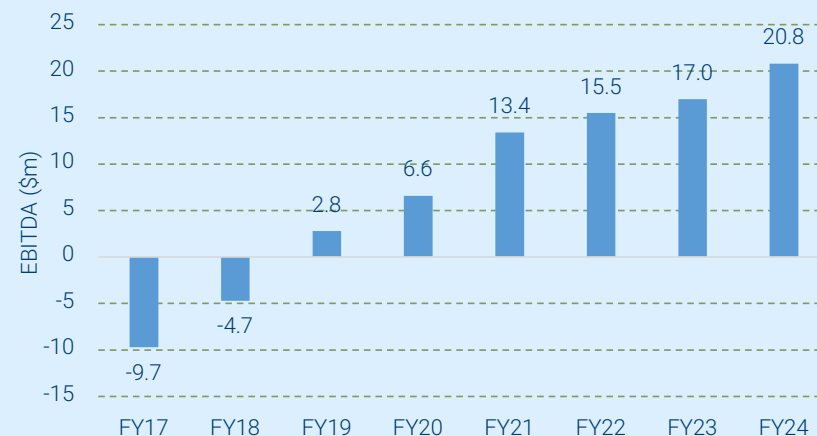
Sources: FWD Financial Reports, ASX Announcements, Bloomberg, Sandon Capital analysis.
Share price and market capitalisation as at 18 Nov 2024

Coventry Group Ltd (CYG)

- CYG operates through two divisions:
 - Trade Distribution (TD)
 - Fluid Systems (FS)
- TD distributes fasteners and other industrial products through Konnect, Artia and Nubco brands
- FS specialises supply and installation of hydraulic, lubrication, fire suppression and other adjacent systems and products
- CYG has demonstrated a strong turnaround in operating and financial performance since new management were installed in 2017
- This turnaround has accelerated in early FY24, with demonstrated operating leverage and earnings growing faster than revenues
- CYG operates in highly fragmented markets, providing not only consolidation opportunities but greenfields growth
- CYG has set out plans to grow TD businesses (Konnect Artia) via greenfields expansion of 100 stores in the next 5 years

Financial Summary

Share price	\$1.32
Market capitalisation	\$154.2m
Net debt / (cash)	\$47.3m
Enterprise value	\$201.5m



Sources: CYG Financial Reports, ASX Announcements, Bloomberg, Sandon Capital analysis Share price and market capitalisation as at 18 Nov 2024

Midway Ltd (MWY)

- MWY has undergone significant Board and management changes in recent years and this has resulted in a change in strategic direction
 - Loss making assets have been shut down
 - Forestry assets and excess land have been sold
 - The company is focused on growing its nascent Carbon business
 - A grain strategy has been announced
 - This will allow the company to defray the burden of the take-or-pay agreement at the Geelong Port ship loader
- 14 November 2024 – Announcement of Scheme of Arrangement
 - \$1.19 per share, including the possibility of the payment of a \$0.31 per share fully franked dividend and a \$0.07 per share unfranked dividend
 - This illustrates what can happen when public markets fail to recognise value
 - Sandon Capital will continue to monitor this situation

Financial Summary

Share price	\$1.19
Market capitalisation	\$103.9m
Net debt / (cash)	(\$6.4m)
Net asset sale proceeds	(\$32.4m)
Enterprise value	\$65.2m

Sources: Midway ASX Announcements, Bloomberg, Sandon Capital analysis
Share price and market capitalisation assumes \$1.19 Scheme Consideration as disclosed by MWY on 14 Nov 2024

Karoon Energy Ltd (KAR)

- KAR is an oil and gas producer with offshore operations in USA (Gulf of Mexico) and Brazil (Santos Basin)
- In recent years, KAR has evolved from being an explorer to producer
- We invested on the basis that its capital management approach had to evolve as well
- Since commencing a public campaign last year, KAR has paid its inaugural dividend, completed its first ever buy-back and has commenced a second buyback. We commend the KAR Board for these decisions
- We believe it needs to do more, including announcing a moratorium on acquisitions
- This campaign is a work-in-progress

Financial Summary

Share price	\$1.395
Market capitalisation (A\$m)	\$1,087.1m
Market capitalisation (US\$m)	\$702.6m
Net debt / (cash) (US\$m)	\$67.8m
Enterprise value (US\$m)	\$770.4m

Sources: KAR ASX Announcements, Share price as at 18 Nov 2024

Magellan Financial Group Ltd (MFG)

- MFG is a well-known funds management company with three core strategies:
 - Global Equities
 - Infrastructure Equities
 - Australian Equities (Airlie)
- Sandon Capital identified MFG as materially undervalued and in need of change. We articulated a 5-point plan
- MFG is paying dividends, buying back shares and “making moves”:
 - acquiring a stake in Vinva, a highly regarded quant fund manager
 - rationalising its product suite (eliminating some sub-scale funds)
 - importantly, its flagship Global Strategy is delivering results

Financial Summary

Share price	\$10.60
Market capitalisation	\$1,895m
Net debt / (cash)	(\$185.7m)
Non-core Investments	(\$894.5m)
Enterprise value	\$815.0m

Recommendation	Results
1. Return excess capital to shareholders	WIP
2. Prioritise the existing business	WIP
3. Review the cost base	✓
4. Provide further Share Purchase Plan (SPP) relief	✓
5. Accelerate Board renewal and improve Board diversity	✓

Sources: MFG Financial Reports, ASX Announcements, Bloomberg, Sandon Capital analysis
 Share price and market capitalisation as at 18 Nov 2024. Net cash is after the payment of final dividend and acquisition of a 29.5% stake in Vinva

SANDON CAPITAL

About us

We seek change to create or enhance value



Pre-eminent and unique track record of shareholder activism



We have unrivalled experience in >40 public and private campaigns



Our track record and investor base allows us to be careful and patient

Long, established track record of outperformance, with an investor base that supports us to play a long game with investments.

Extensive contacts



We build coalitions of like-minded investors



Stakeholders include institutional investors, directors, proxy advisers, investment bankers, journalists and ultimate owners



Built and nurtured over many years



When public, our analysis is widely circulated and read

We invest in undervalued companies

As value investors, we look for undervalued assets, where:

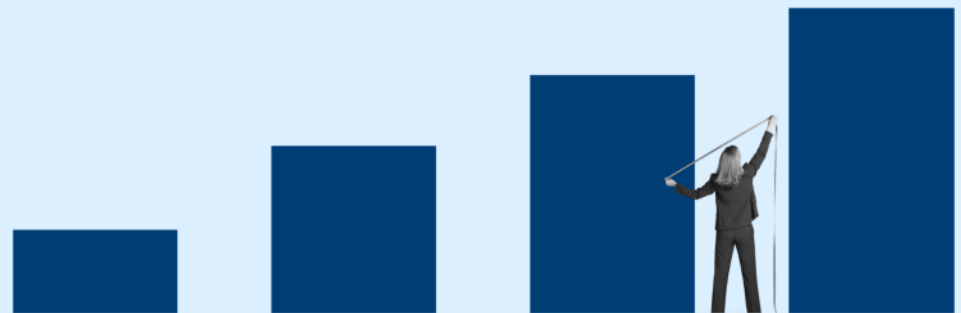


Prices are below their intrinsic value



We can encourage positive changes

Human nature creates attractive investment opportunities that require shareholders to liberate or create value.



We actively engage with companies to promote positive changes



Identify companies that are mispriced and where there are opportunities to promote positive changes, and shape the future.



Transform a company so its value is better appreciated by the market.



Takes time for our approach to bear fruit. Capital we manage is similarly aligned. Allows us to be patient and persistent.



Use rigorous analysis to build shareholder consensus.

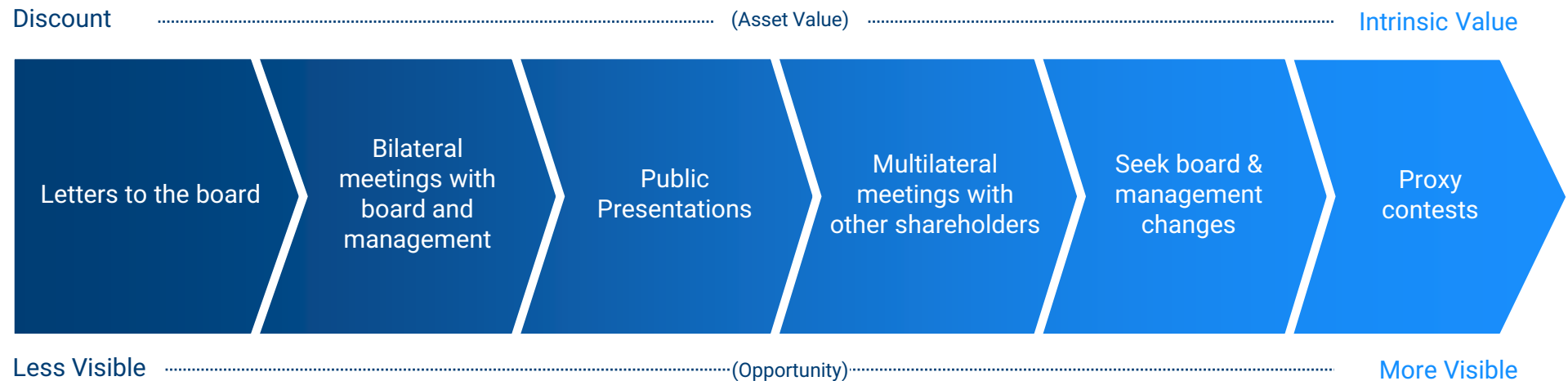
Our Activism Technique

We unlock value by taking a proactive approach

SANDON CAPITAL

We focus on engaging to maximise the certainty of our value creation strategies

We adapt to each unique situation, employing both a range of visible and less visible techniques



Led by a team with decades of success

Gabriel Radzyninski

Founder, CIO & Portfolio Manager

+20 YRS EXPERIENCE



As the founder of Sandon Capital, Gabriel has been involved in the financial services sector for more than 20 years. Gabriel is Chairman of Sandon Capital Investments Limited (ASX:SNC). He is a non-executive director of Future Generation Investment Company Limited (ASX:FGX). From time to time he takes on Board positions as part of Sandon Capital's engagements. Gabriel has a BA(Hons) and MCom both from the University of New South Wales.

Campbell Morgan

Portfolio Manager

+15 YRS EXPERIENCE



Campbell joined Sandon Capital in 2014 and has more than 15 years of experience in both Australian and international financial markets. Prior to joining Sandon Capital, Campbell managed a Global Materials portfolio for Millennium, a New York based hedge fund with US\$25bn under management. Preceding this, he was a Senior Analyst for a Global Industrials portfolio at Citadel Investment Group, a US\$30b Chicago based hedge fund. Campbell started his career in Australia, working in the Investment Bank at ANZ and after that as an Equity Research Analyst for Merrill Lynch before moving overseas in 2007 to work in Alternative Funds Management.

Derek Skeen

Chief Operating Officer

+25 YRS EXPERIENCE



Derek is the Chief Operating Officer of Sandon Capital and has over 25 years experience in the asset management industry. Derek commenced his career at Macquarie Bank in 1995 and over the proceeding 25 years held increasingly senior roles in the Macquarie Asset Management division as the business grew organically and through acquisition. Derek has deep operational, risk management and product experience where he has led significant business strategy and transformation programs. Derek has worked in and across a variety of regions for Macquarie Asset Management including in his role as Chief Operating Officer – APAC and, most recently, as Global Head of Investment Operations. Derek has a Master of Business Administration from the University of New South Wales, Australian Graduate School of Management business school.

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C O N T A C T

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