

SANDON CAPITAL

# SNC Shareholder Presentation

April 2025



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# Opportunity – sustainable yield at a discount to NTA

## ATTRACTIVE DIVIDEND YIELD

7.3%<sup>1</sup>

## DISCOUNT TO NTA

14.9%<sup>1,2</sup>

## SOLID PROFITS RESERVES & FRANKING<sup>3</sup>

37.5 cps  
8.0 cps

1. Based on SNC closing share price on 4 Apr 2025 (\$0.77)

2. Based on pre-tax NTA as at 31 Mar 2025

3. As at 31 Mar 2025

## Highlights

- SNC shares trade at an attractive yield of 7.3% (9.7% grossed up for franking)<sup>1</sup>
- The SNC portfolio can be bought at a 14.9% discount to NTA<sup>2</sup>
- 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 equal<sup>3</sup>

## 1.4 cps fully franked quarterly dividend

- Quarterly dividends provide more regular cashflow to shareholders
- Board expects similar dividend next quarter

## 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 three years at some companies have delivered better financial and operational performance



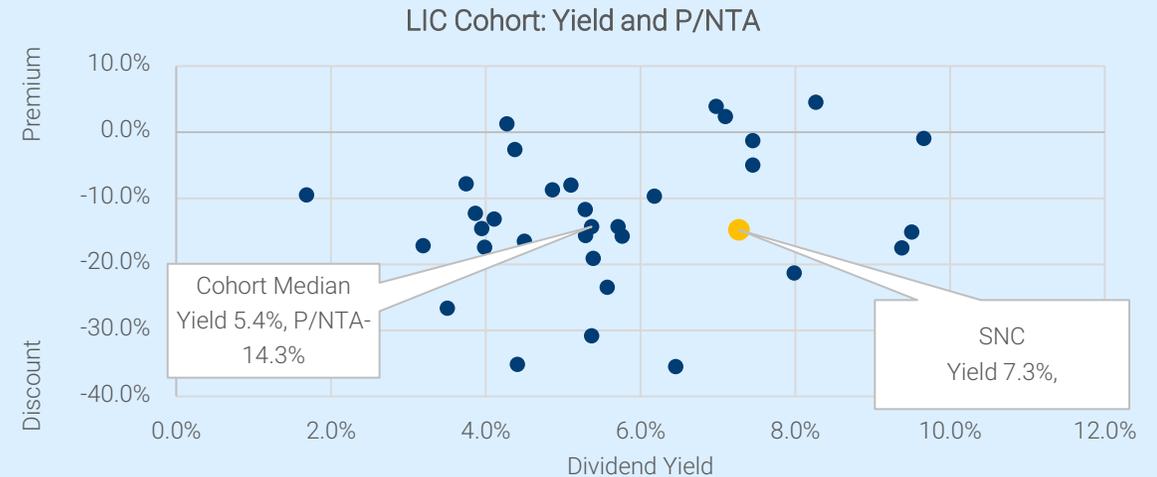
# Investment Highlights

- Quarterly dividends provide more regular cashflow
- Paid (and announced) 63cps of dividends and 24cps of imputation credits since inception



Source: Sandon Capital Investments Ltd

- Attractive yield, at a discount



| Gross Performance to 31 Mar 2025    | 1 yr return   | 3 yr return (p.a.) | Since inception (annualised) |
|-------------------------------------|---------------|--------------------|------------------------------|
| <b>SNC</b>                          | <b>17.3%</b>  | <b>3.7%</b>        | <b>9.1%</b>                  |
| Small Ordinaries Accumulation Index | -1.3%         | -0.8%              | 6.4%                         |
| <b>outperformance</b>               | <b>+18.6%</b> | <b>+4.5%</b>       | <b>2.7%</b>                  |
| All Ordinaries Accumulation Index   | 2.2%          | 5.2%               | 8.4%                         |
| <b>outperformance</b>               | <b>+15.1%</b> | <b>-1.5%</b>       | <b>0.7%</b>                  |

Source: Bloomberg, Sandon Capital analysis. LIC price data is as of 4 Apr 2025  
 Note: SNC Gross performance is after management fees but before any performance fees, corporate expenses and taxes

# Investment highlights 12-mths to 31 Mar 2025

- Win/loss ratio ~63% highlights investment selection and portfolio discipline

Gains vs Losses  
(12 months to 31 Mar 2025)



## Top 5

| Name                | Contribution |
|---------------------|--------------|
| Fleetwood Ltd       | 8.2%         |
| Wellard Ltd         | 5.0%         |
| Nuix Ltd            | 3.3%         |
| Global Data Centres | 2.7%         |
| Midway Ltd          | 2.6%         |
| <b>Top 5 Total</b>  | <b>21.8%</b> |

## Bottom 5

| Name                       | Contribution |
|----------------------------|--------------|
| Coventry Group Ltd         | -3.0%        |
| COG Financial Services Ltd | -2.0%        |
| Foundation Life            | -1.3%        |
| Karoon Energy Ltd          | -1.1%        |
| City Chic Collective Ltd   | -0.9%        |
| <b>Bottom 5 Total</b>      | <b>-8.3%</b> |

Sources: Sandon Capital, Enfusion. Win/Loss ratio is calculated as gross return before all fees and expenses for those investments owned during the 12 months ended 31 March 2025. This includes both realised and unrealised (marked-to-market) gains and losses.

# Portfolio Composition

- Selected holdings represent ~50% 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)
  - Strategic and operational turnarounds (FWD, CYG, MFG,)
  - Capital management opportunities (SPSY, FWD, MFG, KAR, CYG)
- All operate in growing markets

## Selected holdings

|   |              |
|---|--------------|
| Fleetwood Ltd (FWD)                         | 13.8%        |
| Spectra Systems Inc. (SPSY)                 | 10.5%        |
| COG Financial Services Ltd                  | 9.3%         |
| Carbon Conscious Investments Ltd (unlisted) | 8.0%         |
| Karoon Energy Ltd (KAR)                     | 5.0%         |
| Magellan Financial Group Ltd (MFG)          | 3.1%         |
| <b>Total Weighting</b>                      | <b>49.7%</b> |

# Realisations/Exits

- Our investment process focuses on undervalued opportunities
- While we like investing in companies that have potential for bright futures, we also know that markets tend to significantly misprice companies whose futures are less certain
- Sandon Capital has a history of successfully investing in such opportunities. Many of these investments have seen strategic interest
- In the last 12 months, we have exited (or will) either by sale, or announced returns of capital, the following investments:
  - Global Data Centres – orderly sale of assets, returns of capital
  - Midway Ltd – scheme of arrangement
  - Wellard Ltd – sale of remaining ship, second return of capital proposed
  - A2B – scheme of arrangement
  - Foundation Life – orderly winding up by year end

# 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 EPS growth (36% in CY2024)
    - Embedded growth in existing contracts
  - High margins (>30%)
  - Astute capital management – buy-backs, dividends, M&A
  - 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)           | 210p      |
| Market Capitalisation (USD) | \$132.7m  |
| Net debt / (cash) (USD)     | (\$11.1m) |
| Dividend Yield              | 4.2%      |



# Carbon Conscious Investments Ltd

- 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 environmental plantings and attract a premium to the ACCU spot price
- SNC received a fully franked dividend of \$720K from CCIL in February 2025. It currently holds approximately \$1.7 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
- The recent half year result clearly demonstrated the turnaround has taken hold
- Building Solutions is now focused on standardised, repeatable profitable work
- Some state and federal governments have recognised manufactured building solutions for critical and low-cost housing
- Community Solutions is benefiting from a strong demand environment and rising room rates. Occupancy is currently ~83% and is contracted at 73% for FY26
- Board has announced an on-market buy-back in addition to dividends
- We commend the Board and Management on these achievements

## Financial Summary

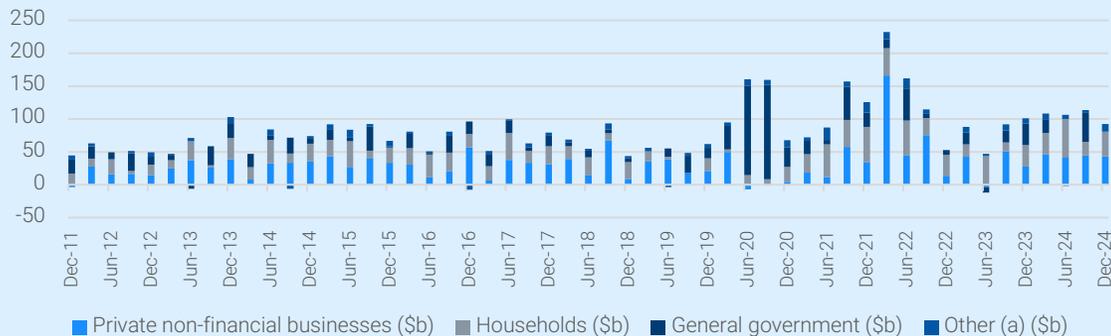
|                          |           |
|--------------------------|-----------|
| Share price              | \$2.49    |
| Market capitalisation    | \$232.1m  |
| Net debt / (cash)        | (\$57.5m) |
| Enterprise value (EV)    | \$174.6m  |
| Perth property value     | (~\$25m)  |
| EV adjusted for property | \$149.6m  |

Sources: FWD Financial Reports, ASX Announcements, Bloomberg, Sandon Capital analysis.  
Share price as at 3 Apr 2025

# COG Financial Services Ltd (COG)

- COG is:
  - Australia’s largest SME finance broker network (~21% share)
  - a fast-growing novated lease provider
  - a specialist lender through its Westlawn business
- SME finance continues to grow strongly according to recent ABS statistics
- Recent Board and shareholder changes have begun to change investor perceptions
- Tony Robinson, ex-PSC Insurance, has joined COG Board as new chair as well as a shareholder

Demand for credit by sector



## Financial Summary

|                                 |          |
|---------------------------------|----------|
| Share price                     | \$1.22   |
| Market capitalisation           | \$246.2m |
| Unrestricted net cash           | \$38.9m  |
| Market value of assets for sale | ~\$25m   |

## COG Share Price



Sources: COG Financial reports as at 31 Dec 24, ASX Announcements, Bloomberg, Sandon Capital analysis Share price as at 3 Apr 2025. COG assets for sale identified as stakes in EPY and CAF. Credit demand from ABS Lending Indicators report for quarter ended December 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 commenced paying dividends, completed two US\$25 million buy-backs and is seeking shareholder approval for a third
- It also announced a revised focus on improved operational performance and organic growth, both of which we support
- We commend the KAR Board for these decisions. They are establishing their credentials as astute capital allocators

## Financial Summary

|                               |            |
|-------------------------------|------------|
| Share price                   | \$1.56     |
| Market capitalisation (A\$m)  | \$1,192.5m |
| Market capitalisation (US\$m) | \$751.2m   |
| Net debt / (cash) (US\$m)     | \$8.8m     |
| Enterprise value (US\$m)      | \$760.0m   |

Sources: KAR ASX Announcements, Share price as at 3 Apr 2025. AUD/USD=0.63

# 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 – most of which was implemented
- MFG has stabilised its existing operations
- Unfortunately, MFG appears committed to pursuing growth through acquisition, something we strongly oppose
- Acquisitions in funds management are typically attractive on paper but more often than not destroy shareholder value
- We are resuming our campaign to persuade MFG shareholders of the risk the current strategy poses

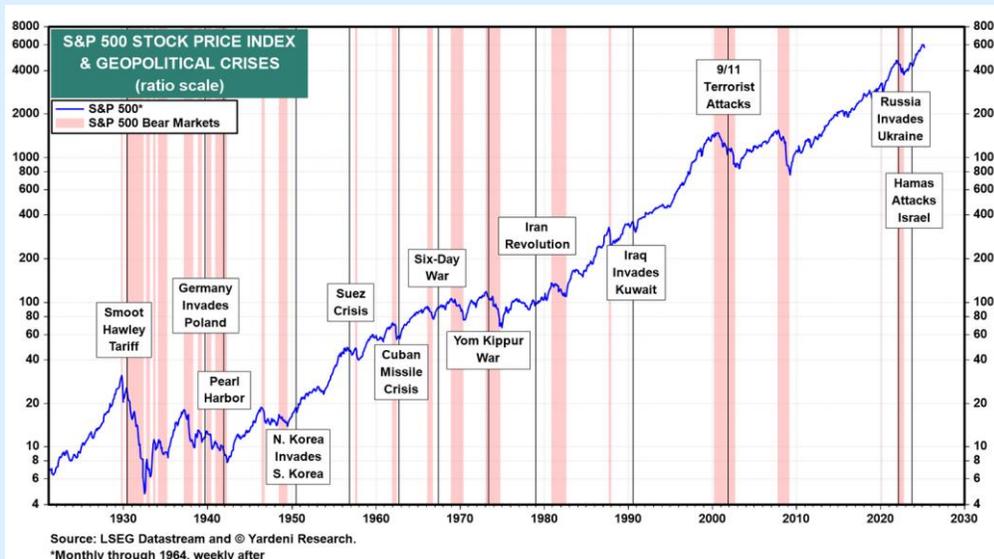
## Financial Summary

|                       |            |
|-----------------------|------------|
| Share price           | \$7.52     |
| Market capitalisation | \$1,325m   |
| Net debt / (cash)     | (\$190.2m) |
| Non-core Investments  | (\$917.7m) |
| Enterprise value      | \$216.7m   |

| 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 | ✓       |

# Market observations

- Global markets are in tariff turmoil. It is too soon to know how this will play out. We consider sentiment (and structural factors, like passive investing) are having outsized effects so far
- Time will provide more details and facts on which to base decisions
- Market dislocations and gyrations provide opportunities
- We will continue to diligently apply our investment approach



## Market Declines: A History of Recoveries



2024

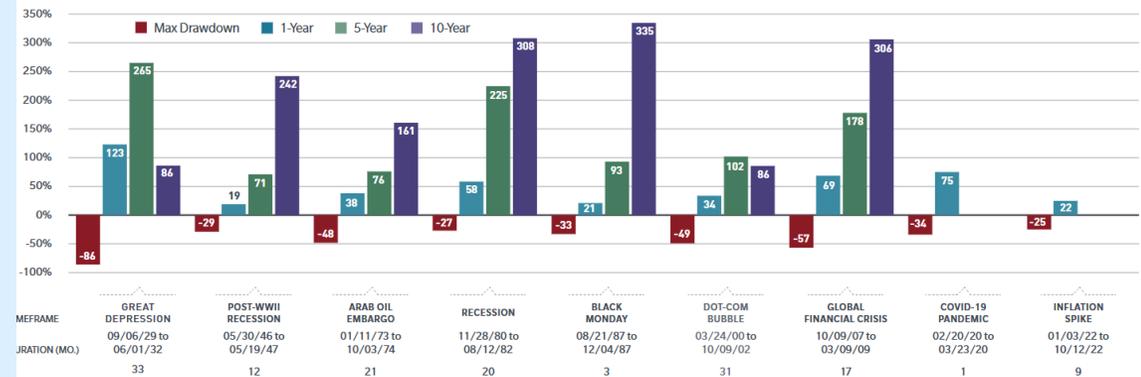
As of 12/31/24

### Gaining confidence based on history

Sharp, sudden market declines are disconcerting, prompting many investors to reduce their stock holdings, or pull out of the market. As history has shown, financial markets have rebounded from market shocks, posting strong long-term gains. All too often, investors that have sold out during a crisis have locked in losses and possibly missed the rebound. Riding out market declines and benefiting from potential rebounds may be a better plan.

### Historically, markets have posted strong long-term gains following declines

S&P 500 Index cumulative returns for 1-, 5- and 10-years periods following end of bear market



As history has shown, recoveries have followed declines, and investors that have stayed invested for the long term may have benefited from the recovery.

Source: FactSet. Daily data from January 3, 1928 through December 31, 2024. Bear market is defined as the period from a peak to trough, with at least a 20% decline in the S&P 500 index price. Data in USD. Past performance is no guarantee of future results. It is not possible to invest in an index.

Max drawdown is the largest drawdown (peak-to-trough) within each calendar year. This data is not intended to represent the performance of any MFS portfolio.

The S&P 500 Index measures the broad US stock market. Index performance does not include any investment-related fees or expenses. It is not possible to invest directly in an index.

The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, please consult an investment professional. Past performance is no guarantee of future results

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:

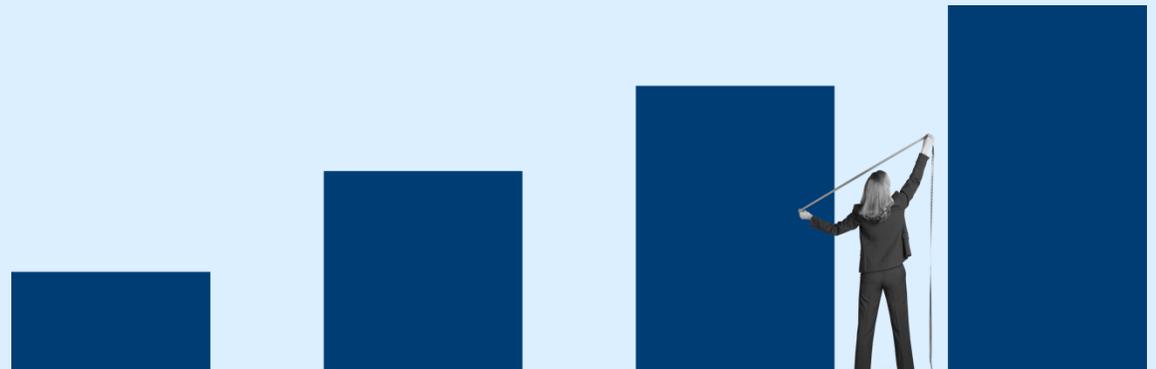


Prices are below their intrinsic value



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.



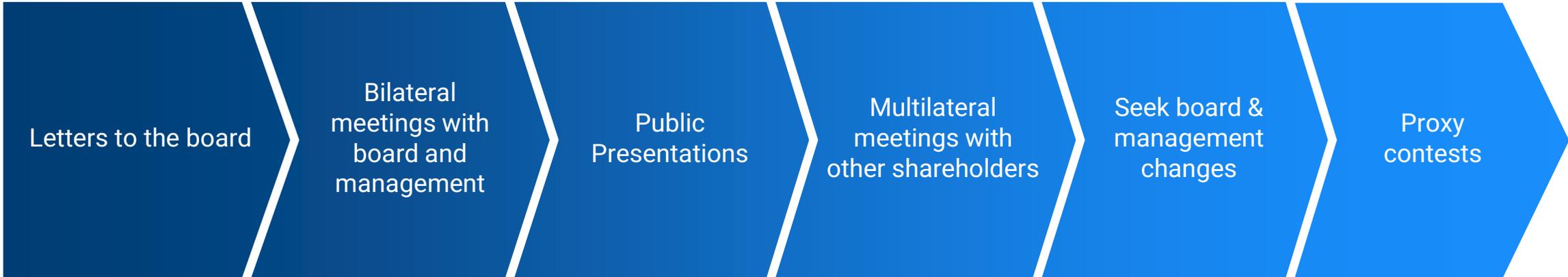
**Use rigorous analysis** to build shareholder consensus.

# We unlock value by taking a proactive approach

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

Discount ..... (Asset Value) ..... Intrinsic Value



Less Visible ..... (Opportunity) ..... More Visible

# Led by a team with decades of success

## Gabriel Radzynski

Founder, CIO & Portfolio Manager

+ 25 YRS EXPERIENCE



As the founder of Sandon Capital, Gabriel has been involved in the financial services sector for more than 25 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

+ 20 YRS EXPERIENCE



Campbell joined Sandon Capital in 2014 and has more than 20 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\$40bn 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 Institutional 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.

# SANDON CAPITAL

## C O N T A C T

Gabriel Radzyninski

CIO & Portfolio Manager

T 02 8014 1188

M 0408 936 357

E [gabriel@sandoncapital.com.au](mailto:gabriel@sandoncapital.com.au)

