



ASX Announcement: **8 November 2021**

ASX Code: **TOP**

TOP 2021 AGM CHAIRMAN's ADDRESS

In accordance with Listing Rule 3.13.3 please find below a reproduction of the Chairman's address to be delivered by Mr Alex Waislitz at the TOP 2021 Annual General Meeting commencing at 10:30am today.

"Ladies and gentlemen,

I'm pleased to report that your company Thorney Opportunities Ltd (TOP) delivered a substantially improved performance for the year ended 30 June 2021.

TOP's after tax earnings were a record \$22.5 million.

Net tangible assets after tax and all fees at 30 June 2021 stood at 70.4 cps – an increase of 15.4% over the 12 month period.

Directors declared a fully franked final dividend of 1.35 cps which, on top of the interim dividend of 0.80 cps, brought TOP's total dividend payout for the year to 2.15 cps fully franked.

This was a 7.5% increase in total dividends for the year and represented a yield of approximately 3.9% pre-franked.

The higher dividend payout was in line with TOP's previously stated aim of delivering increased franked dividends to shareholders whenever possible over time.

I believe that our ability to pay higher dividend yields is a welcome outcome at a time of historically low interest rates.

TOP's overall results for FY2021 were particularly pleasing in light of the market's continued enthusiasm for growth and technology stocks rather than the value-based companies which make up the majority of TOP's portfolio.

The ongoing improvement in TOP's NTA performance for the 20/21 year has carried over into the current financial year. TOP's most recently announced NTA at the end of September was 71.3 cps after taxes and fees, compared to 70.4 cents at June 30.

This steady growth underscores our investment philosophy since inception.

We undertake thorough due diligence to identify fundamentally mispriced or undervalued companies and combine that with constructive advocacy with boards and management to implement change when required. Our aim is to deliver positive returns to shareholders over the medium to long term.

A good example of this philosophy is what was TOP's largest holding at June 30, Money3 Corporation Limited.

TOP has been a long-term holder in this non-bank provider of automotive vehicle financing and has backed the company over its history, working closely with board and management to implement change when required. MNY continues to grow its market share both organically and through acquisition and its strong share price performance and increased dividend during FY2021 has continued into the current financial year.

In the listed portfolio, TOP's largest holdings apart from MNY at year end included MMA Offshore Ltd (MRM), AMA Group Ltd (AMA), Southern Cross Electrical Engineering Ltd (SXE) and Consolidated Operations Group Ltd (COG).

MNY, MRM, SXE and COG all finished FY2021 with share prices higher than the previous year.

AMA's automotive smash repairs operations were affected by the impact of reduced traffic accidents as a result of COVID.

However, with a new management team, a recently completed recapitalisation of its balance sheet, as well as the easing of lockdown restrictions leading to the prospect of increased traffic flows, we are optimistic AMA will recover over time.

Although in hindsight we may have invested a little early, we are also expecting strong tailwinds from the massive capital spending programs in infrastructure and resources to be positive for a number of TOP portfolio companies including MRM, SXE, Austin Engineering Limited (ANG) and Decmil Group Limited (DCG).

Another major contributor to TOP's strong performance during the 20/21 financial year was its holding in the unlisted 20 Cashews Pty Ltd (20C) which has an underlying investment in the Australian Community Media group (ACM).

TOP took a cautious approach to its assessment of the carrying value of this investment in FY2020 with Directors being mindful of the potential longer term impact that bushfires, floods and COVID-19 would have on regional Australia and the ACM business.

However, during the course of FY2021, management moved to accelerate the transformation plan, which included the implementation of a comprehensive profit improvement plan, disposing of surplus real estate assets, closing inefficient printing operations, rationalising the publication portfolio, launching new publications and strongly growing its digital subscriber base which has now passed 110,000. This transformational work is continuing.

As a result of the work completed so far, and the outlook for FY2022, the Directors' determined that an increase in the carrying value of TOP's investment in ACM was warranted.

The carrying value of TOP's investment was increased by approximately \$15.0 million since 30 June 2020 to a value of \$21.5 million, making it one of TOP's largest investments.

The Directors remain excited about the next phase of transformation and the future growth opportunities which exist for ACM.

20 Cashews via its subsidiary, WA Chess Investments, is also the largest shareholder in Prime Media Group Limited (PRT) with an interest of approximately 23%. On Monday 1 November, Seven West Media Limited (SWM) announced its intention to acquire the regional media business and assets of PRT, subject to the approval of PRT shareholders. The price being offered by SWM represents a substantial premium to WA Chess Investments' entry cost, and the Directors of WA Chess Investments have confirmed their intention to vote in favour of the proposed transaction, in the absence of a superior offer. This transaction will likely conclude towards the end of the calendar year, and combined with an expected refinancing of the ACM group will place ACM in a strong position to pursue its growth ambitions in both traditional and digital media platforms.

I anticipate that the next 12 months will see a number of additional positive developments at ACM adding further to the value of TOP's investment in the ownership of the company.

Ladies and gentlemen, while I am very optimistic about TOP's long-term growth prospects, like all shareholders, I remain disappointed that TOP's share price has continued to trade below its NTA.

Directors, the investment team and I remain focused on continually reducing and preferably eliminating this unjustified discount gap.

In February 2021, TOP announced that it would launch a further on-market share buyback for a 12-month period ending 18 February 2022, a program which is proportionally beneficial to all shareholders.

I have also foreshadowed a number of other steps designed to help close the NTA discount gap.

These include more frequent shareholder communications and providing greater detail on key holdings and activities. We will be implementing these and other shareholder value-enhancing steps in coming months.

As an example, the COVID-19 necessitated introduction of webinar-based TOP investor briefings throughout the financial year proved popular and these will continue in 2022.

I would now like to reiterate some of my comments which were contained in my Chairman's Letter, released at the end of August.

As to the outlook for the current financial year, I cannot recall a time when there has been more diversity of opinion about the prospects for the next 12 months and beyond.

The optimists are expecting the good times and record share prices to continue, buoyed by the weight of money which has been poured into the global economy to help limit the economic impact of COVID. They point to ongoing, historically low interest rates and a lack of investment alternatives to keep underwriting record share market levels.

The pessimists say we are living on borrowed time, with values unsustainably stretched, inflation looming large and the full global impact of the pandemic so far yet to filter through.

Then there is the very real prospect that more COVID variants could wreak even further havoc on human health and the global economy just as it starts to bounce back.

On top of this, they point to increasing geo-political tension around the world making the prospect of a sharp market correction or worse seem increasingly likely.

At TOP we have always taken a cautiously optimistic approach. We believe that no matter what forces are impacting the overall market, there will always be examples of mispriced or undervalued companies which have the potential to be re-rated and deliver outstanding share price growth.

A significant number of companies in the TOP portfolio, e.g. Ardent Leisure (ALG), Retail Food Group (RFG) and the previously mentioned AMA stand to do well as the Australian economy re-opens.

With a constant eye on the macro, TOP continues to seek out more potential gems while at the same time adjusting our portfolio positions in line with our value models, selling down when we believe prices have become overheated and adding to holdings when we think selling has been overdone.

As always, our goal will remain to keep delivering positive returns for TOP shareholders over time.

My sincere thanks go to my fellow TOP Directors, to the outstanding Thorney investment management team and to all TOP shareholders for your continued support."

Alex Waislitz

Chairman

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