

10 January 2025

UWC Investment Portfolio Performance - December 2024

Underwood Capital Limited¹ (ASX: UWC) ("UWC" or the "Company") is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium term from investments in listed and unlisted equities and debt securities.

UWC Investment Portfolio Performance

UWC is pleased to provide the portfolio performance for December 2024 which includes the disclosure pursuant to Listing Rule 4.12.

Investor and Media Enquiries

Announcement authorised for release to ASX by:
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¹ UWC Shareholders at the Annual General Meeting on 22 November 2024 approved a change in the company's name, from Hygrovest Limited to Underwood Capital Limited ("UWC").

About UWC

Underwood Capital Limited (ASX:UWC) ("UWC") ABN 91 601 236 417 is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium term from investments in listed and unlisted equities and debt securities.

Important Notice

This announcement contains reference to certain intentions, expectations, future plans, strategy and prospects of UWC. Those intentions, expectations, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of UWC may be influenced by a number of factors, many of which are outside the control of UWC. No representation or warranty, express or implied, is made by UWC, or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved. Given the risks and uncertainties that may cause UWC's actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects. UWC does not warrant or represent that the actual results, performance or achievements will be as expected, planned or intended. Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in UWC. This document does not constitute any part of any offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of any "US person" as defined in Regulation S under the US Securities Act of 1993 ("Securities Act"). UWC's shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US person without being so registered or pursuant to an exemption from registration including an exemption for qualified institutional buyers.

UNDERWOOD

CAPITAL LTD.

Investment Portfolio Report

December 2024

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About Underwood Capital

Underwood Capital Limited¹ ("Underwood Capital", "UWC" or the "Company") (ASX: UWC) is an Australian-listed, specialist investment company that has traded on the ASX since 2015.

UWC's investment manager is HD Capital Partners Pty Ltd (ACN 664 583 537) ("HD"). HD was appointed to that role for a term of five years commencing 1 July 2023.

HD is a value-oriented, fundamental bottom-up stock picker focussing on opportunities in listed small cap equities markets including:

- undervalued, well-managed growth companies, often founder-led, that are off the radar of the broader investment community;
- undervalued securities where HD seeks to realise value; and
- situations that are dependent on a specific corporate action, such as mergers, liquidations, tender offers and divestments.

UWC Investment Performance^{2 3}

UWC Historical Performance - period ended

	1 month	Financial year to date	12 months	Since inception
Pre tax return	5%	3%	8%	(14)%

For Underwood's latest investor presentations and news, please visit www.uwcl.com.au

General Investor Queries

E: info@uwcl.com.au

W: uwcl.com.au

Share Registry

Automatic Registry Services

P: 1300 288 664

W: automatic.com.au

Performance Update

Net Tangible Asset Value Per Share Before
Tax⁴ as at 31 December 2024

\$0.1071

Key Metrics as at	31-Dec-24	30-Nov-24
Net Asset Value - pre tax	\$m 22	21
Investee Portfolio (ex cash)	\$m 19	17
Cash and cash equivalents	\$m 3	4
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)	\$ 0.1071	0.1023
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)	\$ 0.0938	0.0903
Net Asset Value per share	\$ 0.0943	0.0907
UWC share price (ASX)	\$ 0.051	0.051
Market capitalisation	\$m 11	11
	Listed	
	Investment	
ASX Investment Type	Company	
Initial Public Offering Date (inception date)	22-Jan-15	
No. of ordinary shares on issue	m 210	

¹ UWC Shareholders at the Annual General Meeting on 22 November 2024 approved a change in the company's name, from Hygrovest Limited to Underwood Capital Limited ("UWC"). The ASX code also changed from HGV to UWC as at 13 December 2024.

² Inception is 30 June 2018 being the date on which Underwood commenced accounting for investments as an investment entity.

³ The quoted returns for 1 month and financial year to date are absolute, i.e., not annualised. The quoted returns for 12 months and since inception are annualised.

⁴ Excludes tax on unrealised gains on the investment portfolio and company tax accrued for the current financial year. The financial information within this report is unaudited.

UNDERWOOD CAPITAL NEWS

UWC Financial Results for December 2024

During December 2024, UWC's Net Asset Value (before provision for tax) increased by 5% which was due to the revaluation gain on listed Australian securities.

Shareholders should always, including but not limited to this month, be mindful that UWC's reported month-end NTA is a point-in-time assessment only and that UWC's NTA is constantly fluid. UWC also applies a 15% discount to the derived valuation multiple applied to its Weed Me holding to account for the fact that Weed Me is unlisted.

Investment Manager Update⁵

In December we received another dividend from Weed Me, our last remaining legacy investment, as the business continues to generate free cash flow.

We direct shareholders to recent news in the press⁶ suggesting Canada is set to explore a new excise tax system for cannabis businesses. Any positive change to the currently restrictive policy could be material for businesses like Weed Me so it is worth tracking developments. Further info can be found by sending an email to info@uwcl.com.au.

We completed the sale of our legacy holding in Poland-based Sequoya. While the sale process has taken longer than expected we are pleased with the outcome. The terms of the transaction remain confidential.

During the month we published our thesis on Airtasker Ltd (ASX:ART)⁷, one of our core holdings. A copy of this research may be requested by sending an email to info@uwcl.com.au.

HD Capital Partners

⁵ The Investment Manager Update details the views of UWC's investment manager, HD Capital Partners

⁶ Business of Cannabis – 17 December 2024 – Canada Announces Plans to Reform Cannabis Excise Tax in 2025

⁷ Livewire 19 December 2024

Appendix One

1. The year-to-date performance of Underwood is detailed below:

Table One

UWC Historical Performance - financial year to date							
		30-Jun-23	30-Jun-24	30-Sep-24	31-Oct-24	30-Nov-24	31-Dec-24
Share price \$	AUD	0.042	0.046	0.054	0.054	0.051	0.051
Net Asset Value	AUD	0.0922	0.0933	0.0951	0.0963	0.0907	0.0943
NTA Post Tax \$	AUD	0.0918	0.0929	0.0947	0.0960	0.0903	0.0938
NTA Pre Tax \$	AUD	0.1028	0.1037	0.1055	0.1075	0.1023	0.1071

2. Underwood's investment portfolio is detailed in Table Two:

Table Two

Investment	Cannabis investments 31-Dec-24 AUDm	Non-Cannabis investments 31-Dec-24 AUDm	Total Portfolio Book Value (unaudited) 31-Dec-24 AUDm	Weight	Total Portfolio Book Value (unaudited) 30-Jun-24 AUDm	Weight
Listed investments:						
Delivra Health Brands Inc.	0.0	0.0	0.0	0%	2.1	10%
Portfolio of listed small caps	0.0	9.3	9.3	42%	3.8	17%
Total Listed Investments	0.0	9.3	9.3	42%	5.9	27%
Unlisted investments:						
Weed Me	9.5	0.0	9.5	42%	9.2	42%
Emerging Therapeutics	0.0	0.0	0.0	0%	4.0	18%
Portfolio of unlisted debt securities	0.0	0.3	0.3	1%	0.8	3%
Total Unlisted Investments	9.5	0.3	9.8	43%	13.9	64%
	9.5	9.6	19.1	85%	19.8	91%
Cash	0.0	1.7	1.7	7%	0.3	2%
Receivables from investment divestments	0.3	0.0	0.3	1%	0.8	4%
AAA ETF	0.0	1.4	1.4	6%	0.9	4%
	0.3	3.1	3.4	15%	2.1	9%
Total Portfolio	9.8	12.7	22.5	100%	21.9	100%

Note:

The reference to AAA ETF refers to the investment in higher yielding cash on call deposits via an investment in ASX:AAA.

UWC's investment in Weed Me comprises 4.24m shares representing approximately 13% of Weed Me's issued capital (as at month end, UWC had ascribed to these shares a valuation of CAD2.01 per share).

UWC's investment in Emerging Therapeutics was sold in September 2024

UWC's investment in Delivra was sold in October 2024

3. Valuation of Assets

UWC values its investments by applying the following principles:

- Listed securities – the book value is based on the closing share prices for public companies at period end converted into Australian dollars at the relevant prevailing foreign exchange rates at month-end.
- Unlisted equity securities – Generally, UWC's preference is to value its unlisted investments by applying an Enterprise Value to Net⁸ Revenue Multiple (EV/NRM) provided these valuations are materially consistent with any recent capital raises by the given investee. The Canadian multiple of 1.6 (prior month of 1.7) is derived from the end of month market valuations of various listed Canadian companies, each of which UWC considers to be broadly comparable to Weed Me. The applied multiple represents the average of these multiples which range between 0.9 and 2.8. UWC also applies a liquidity discount of 15% to the EV/NRM valuation, to account for these investments' unlisted status. In the

⁸ Gross sales less government excise taxes and sales discounts

absence of material historical revenue, the book value is generally based on the most recent material funding round share prices for private companies (converted into Australian dollars at the relevant prevailing foreign exchange rates as necessary). In the absence of a recent capital raise or arm's length transaction, or if intervening events or information suggest that applying one of those valuation metrics is inappropriate, management considers all available information, including benchmarking of instruments to market movements indicated by relevant indices. UWC also considers the recommendations of its investment manager.

The Net Asset Value or NAV is calculated after deducting a provision for company tax on any net unrealised gains that may arise on such theoretical disposal. UWC does not hedge the carrying value of existing investments denominated in non-AUD currencies. UWC's financial statements are subject to statutory audit or review by our independent auditor at 31 December and 30 June each year.

Note:

- a) All information within this release is unaudited unless stated otherwise.
- b) The book value includes shares, convertible notes, options, loans, warrants and accrued interest.

4. Dividend Policy

On 7 June 2019, UWC announced its intention to distribute 20% of its annual profit after tax, after excluding unrealised gains and losses on investments (Annual Profit). The policy was first applied in respect of the Annual Profit for the year ended 30 June 2020. The dividend would be payable within three months of each half year after the completion of the half year and annual financial statements. It is UWC's intention that any dividend would benefit from any available franking credits held by UWC. Currently, UWC does not have a material franking credit balance.

Glossary

ABBREVIATION	Definition
AUD	means Australian dollars.
ASX	means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.
ASX Listing Rules	means the Listing Rules of ASX.
CAD	means Canadian dollars.
Company or UWC	means Underwood Capital Limited (ACN 601 236 417).
EBITDA	means Earnings before Interest, Tax, Depreciation and Amortisation.
IPO	Initial public offering of securities on a recognised securities exchange.
NAV	means net asset value.
Option	means an option to acquire a Share usually at predetermined price.
Share	means a fully paid ordinary share in the capital of a company.
Shareholder	means a registered holder of a Share.
USD	means United States dollars.