



SEC Results 1HFY25

1HFY25 Profit	Company Performance ¹	Dividends ²	Yield	Yield (including franking)
\$10.8m	11.3%	7.0c	5.8%³	8.3%⁴

- **1HFY25 net profit after tax of \$10.8m**
- **Company Performance of 11.3%, +5.8% compared to benchmark⁵ of 5.5% (also +2.5% p.a. to benchmark since inception)**
- **Total quarterly dividends declared for the half-year of 7.0 cents per share (fully franked)²**
- **Trailing dividend yield equal to 5.8%³ (8.3%⁴ including franking)**
- **SEC Board resolves to reinstate a modified conditional proposal after the 2024 conditional proposal successfully reduced the NTA discount**
- **Shareholder webinar on results and portfolio**

Performance

We are pleased to announce that Spheria Emerging Companies Limited (ASX:SEC) (**Company**) recorded a profit of \$10.8m for the half-year ended 31 December 2024 (**1HFY25**). This compared to a profit of \$8.6m in the prior corresponding period, and was supported by strong performance of the Company's investment portfolio during the period.

Company Performance, which comprises investment portfolio performance after deducting investment management fees and Company administration expenses (excluding taxes), was 11.3% for the half-year. This was 5.8% higher than the benchmark performance of 5.5%.

Pleasingly, the Company also continues to exceed its benchmark since inception, with Company performance of 7.3% p.a. compared to benchmark performance of 4.8% p.a. i.e. outperformance of 2.5% p.a.

Quarterly dividends

The Company continued to declare quarterly dividends during 1HFY25 at its increased targeted rate of 1.5% of post-tax NTA, which has applied since the June 2024 quarter dividend.

The Company declared a total of 7.0 cents per share in fully franked dividends for 1HFY25², which when combined with dividends from 2HFY24 of 6.4 cents per share, represents a trailing dividend yield of 5.8%³ based on the 31 December 2024 share price of \$2.30, and a gross yield (including franking credits) of 8.3%⁴.

The quarterly dividends declared for 1HFY25, fully franked at a 30% tax rate, were as follows:

Quarter ended	Value per share	Date paid
30 September 2024	3.5 cents	12 November 2024
31 December 2024	3.5 cents	12 February 2025

¹ Calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, after Company expenses.

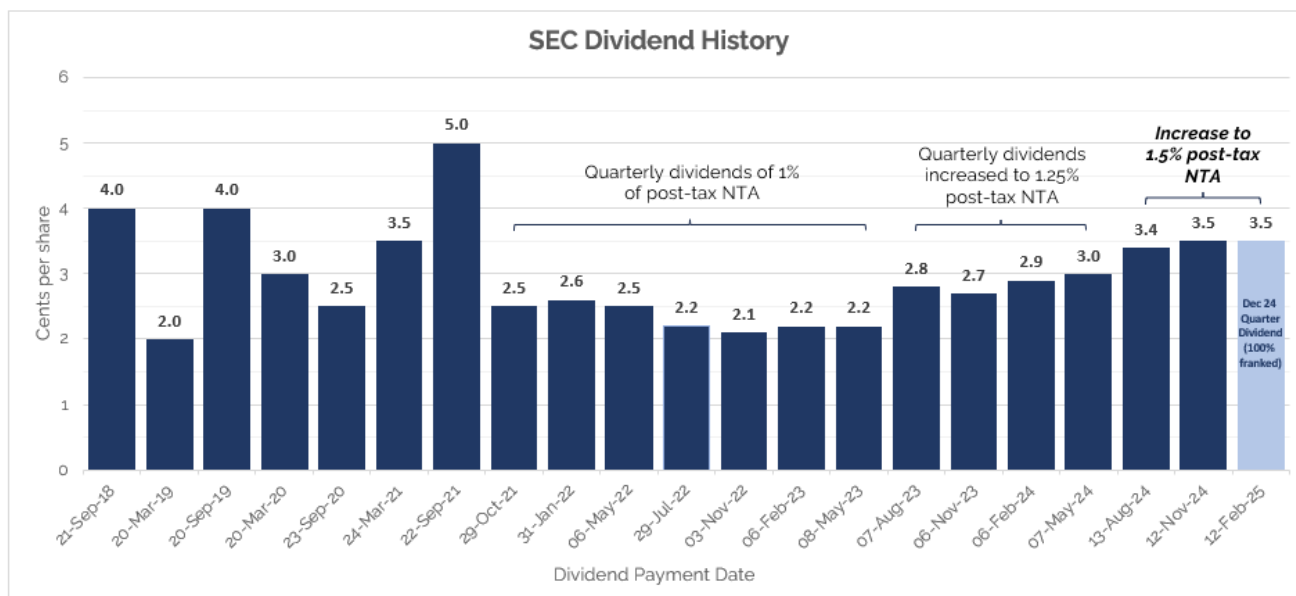
² Comprising September 24 quarter dividend of 3.5 cents (paid 12 November 2024) and December 24 quarter dividend of 3.5 cents (paid 12 February 2025).

³ Trailing dividend yield based on total quarterly dividends declared for calendar year 2024 of 13.4 cents, calculated on share price as at 31 December 2024 of \$2.30.

⁴ Trailing dividend yield including franking credits based on total quarterly dividends declared for calendar year 2024 of 13.4 cents, calculated on share price as at 31 December 2024 of \$2.30, using 30% tax rate.

⁵ S&P/ASX Small Ordinaries Accumulation Index.

Including these quarterly dividends, the Company has now declared 62.1 cents per share total dividends since its ASX listing in Dec 2017, equivalent to 31.1% of the IPO price of \$2.00.



The Company intends to continue the payment of quarterly dividends at a level equivalent to 1.5% of the post-tax NTA of the Company, subject to available profits, cash flow and franking credits.

At 31 December 2024, the value of the Company's franking account was \$4.5m⁶ (\$0.075 per share). This is equivalent to \$0.174 per share in fully franked dividends at the Company tax rate of 30% and the Company presently maintains sufficient profit reserves for this value of dividends.

Discount to NTA

The discount between the Company's pre-tax NTA per share and its share price stood at 4.5% on 31 December 2024⁷. This represents a significant improvement from the discount at the start of the 2024 calendar year of 15.4%⁸.

On 16 January 2024 the Company announced a conditional proposal agreed with the manager of the Company's investment portfolio, Spheria Asset Management Pty Limited (Manager), to pursue an exchange of shares in the Company for units in Spheria Australian Smaller Companies Fund, should the average discount of the Company's share price to pre-tax NTA during the period 1 October 2024 to 31 December 2024 (measurement period) exceed 5% (NTA discount test).

The conditional proposal provided a period of time for the market to determine if shareholders' investment in the Company remained in a listed investment company (LIC) or be converted to an interest in a managed fund.

The discount of the Company's share price to pre-tax NTA during the measurement period was 4.75% which was below the 5% threshold, and therefore SEC passed the NTA discount test to remain a LIC and shareholders will continue to enjoy the benefits of this structure such as the payment of regular quarterly fully franked dividends. Many shareholders subsequently informed the Company that they like the structure and want SEC to remain a LIC, but would take comfort from additional NTA discount management measures in the future.

⁶ After adjusting for franking debits that will arise from the refund of current tax assets.

⁷ Calculated on 31 December 2024 pre-tax NTA per share of \$2.409 and share price of \$2.30.

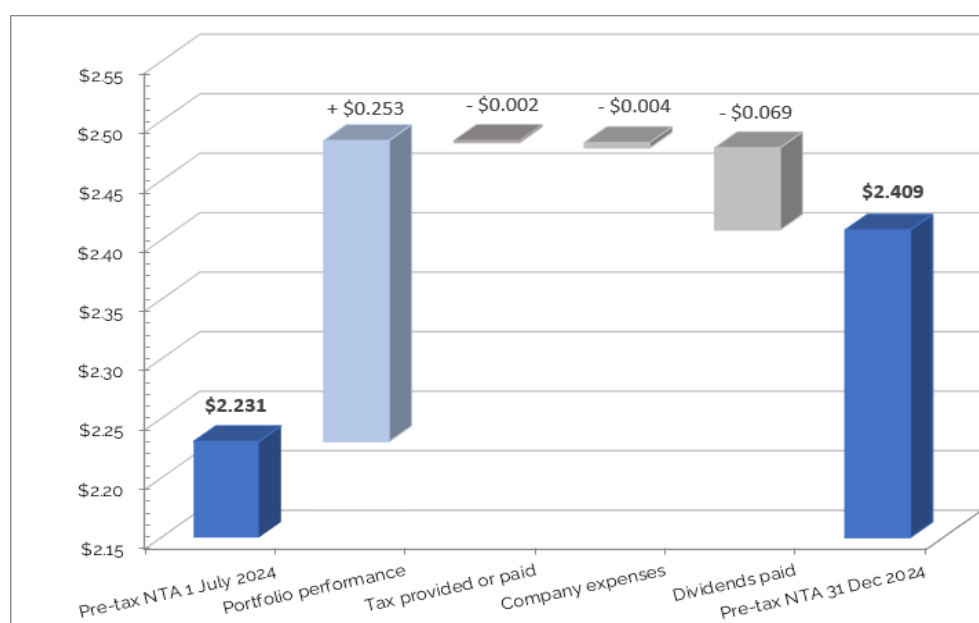
⁸ Calculated on 31 December 2023 pre-tax NTA per share of \$2.340 and share price of \$1.98.

In this regard, the Board has assessed the impact of the 2024 conditional proposal and deemed it to have been successful in contributing to the substantial reduction of the Company's discount to NTA during 2024. The effectiveness of the conditional proposal as a discount narrowing measure and the ongoing commitment by the Board to maintaining its focus on this issue has resulted in the Board deciding, in conjunction with the Manager, to reinstate a conditional proposal for the forthcoming year.

Under the reinstated and modified conditional proposal, for the twelve months from 1 April 2025 to 31 March 2026 (annual measurement period), should the average daily discount of the Company's share price to pre-tax NTA per share exceed 5% (NTA discount test), the Company will arrange for a meeting of shareholders to be convened to vote on whether the Company remains a LIC, or converts to a managed fund. This mechanism again provides a period of time for the market to provide guidance regarding the ongoing structure of the Company, while ultimately providing shareholders with the final determination.

NTA performance breakdown for 1HFY25

During 1HFY25 the pre-tax NTA increased by \$0.178, from \$2.231 at 30 June 2024 to \$2.409 at 31 December 2024. The increase in NTA is attributable to the strong portfolio performance during the period, and is after the effect of taxes, company expenses and dividends during the half-year, which totalled \$0.075.



The post-tax NTA of the Company as at 31 December was \$2.344 per share, which was \$0.065 lower than pre-tax NTA, representing the value of tax on unrealised investment portfolio gains at period-end, at the Company's tax rate of 30%. This difference between pre-tax and post-tax NTA fluctuates as unrealised gains and losses are made on SEC's investments.

Shareholder webinar on results and portfolio

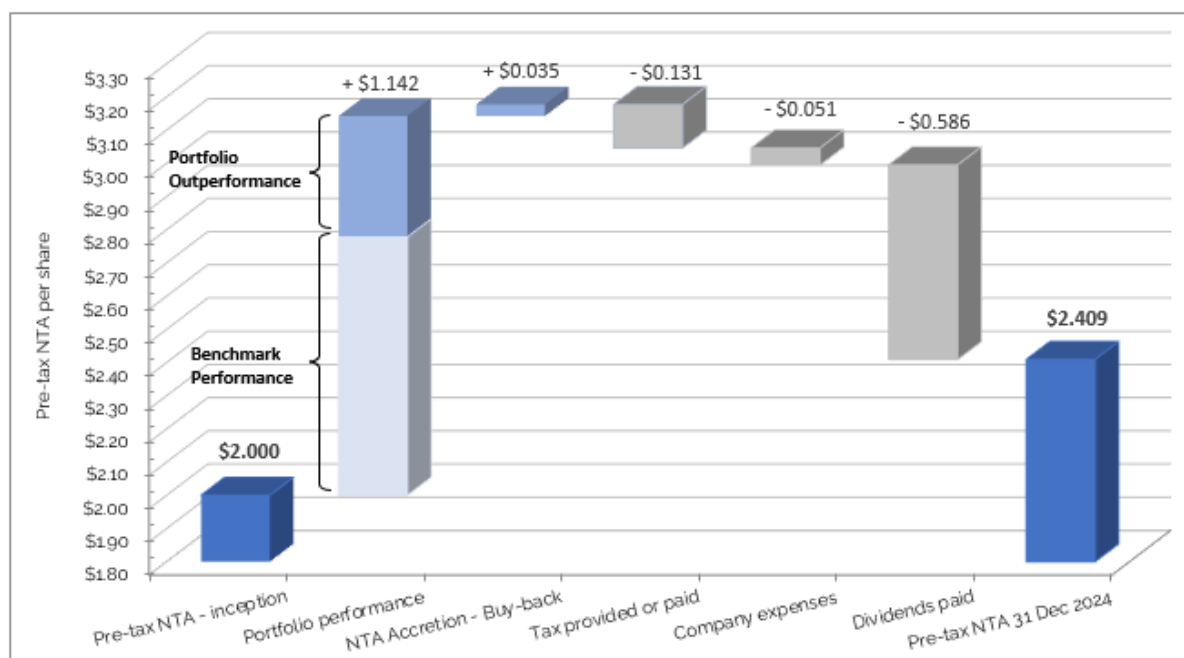
The Board invites you to the upcoming shareholder webinar on 6 March 2025 at 11.00am (Sydney time AEDT). The webinar will provide an update on the Company's financials and investments from the Company's director and Spheria Asset Management's Portfolio Manager, Matthew Booker.

Shareholders are invited to register at the following link: [SEC 1HFY2025 Results Presentation](#)

The Board of Spheria Emerging Companies Limited has authorised this announcement to be released to the ASX.

Additional shareholder information

NTA Performance since inception



Manager's commentary

Portfolio performance

The investment portfolio increased 11.6%⁹ for the six-month period ending 31 December 2024, outperforming the Benchmark by 6.1%.

For reasons only the universe can explain, the small cap sector loves reflatting popped bubbles.

Top of that list is Mesoblast (MSB) which has burnt through \$1.4bn of cash over the last 20 years, has revenue in FY24 of only \$10m and somehow again has found itself with a market capitalisation of over \$3bn. Over the six months, the share price rallied over 200%, largely on the back of an FDA approval for one of its stem cell therapies for an obscure disease called steroid-refractory acute graft-versus-host disease (SR-aGVHD), which according to ChatGPT "... percentages suggest that several hundred patients may experience SR-aGVHD each year". So, the end market would seem small and therefore you would think the revenue opportunity not large, so how does that justify the current valuation?? We are not sure maybe there are wider uses for their therapies, but it does feel to us that another bubble is occurring at the speculative end of the market. History suggests Mesoblast is somewhat of a barometer for that and if you own anything speculative you probably need to be nervous now.

Whilst we are never going to own Mesoblast, which detracted from our performance relative to the benchmark over the period, there were many brights spots for us over the six months.

Supply Network (SNL) – a long time holding rallied 49%. It continues to win share in the truck and bus part aftermarkets in Australia and NZ from weak competitors, and its customers who are independent mechanics also continue to take share from OEM's so its overall addressable market continues to expand despite challenging economic conditions. SNL's recent update indicates 1H FY25 revenue growth of ~17% to approximately \$171m, which will exceed the company's entire year of revenue from FY21 of \$163m. It is an incredible growth

⁹ After investment management fees. After deducting Company administration expenses (excluding taxes), Company performance was 11.3%.

story and unlike many "growth" stocks in the market which are trading at insanely expensive multiples, SNL looks reasonable value on an ungeared PE of about 30x for FY26, given it has delivered 14% p.a. top line and 18% p.a. earnings growth over the last decade and still has a solid runway given its overall market share is in the mid-teens and it is the outright market leader that has scale to reinvest in price whilst growing earnings at a rate equal to or slightly greater than revenue as it has in the past.

Bravura Solutions (BVS) continued its halcyon recovery from the death throes of two years ago with the share price rallying 109% over the six months. As we have written in the past, we were heavily involved in renewing the board and senior management team, but they deserve all the credit for righting the business to the point where it is now moving from a cost cutting phase to a growth phase. To justify the current re-rate the company ideally needs to win market share, and the backdrop seems to have improved significantly with FNZ – a key competitor – facing significant regulatory challenges in the UK market and overpromising/underdelivering on key contracts in the Australian market. With Aware Super's successful transition to BVS's Sonata platform that is performing ahead of anything else in the market, there is precedent for other major industry funds to shift to an insourced model or for business process outsourcers to licence the Sonata platform in an outsourced arrangement. This could be a significant fundamental shift in BVS's favour. If the company were to land a large client either way it would be hugely positive to BVS's valuation and growth prospects.

Other companies that performed well over the six-month period were Universal Stores (+77%), Technology One (+69%) and Bega Cheese (+37%).

In terms of companies that we owned, the largest detractor to performance was Star Entertainment Group (-61%) which fell precipitously after several negative trading updates. Whilst there is significant property asset value in SGR, the downturn in the economy, an uneven playing field vs pubs/clubs and increased regulatory/compliance costs mean the casino assets are losing money with little prospect for improvement unless key stakeholders (state governments and regulatory bodies) agree to change in the short term which appears unlikely. As a consequence of this, startup losses from Queen's Wharf Brisbane and cash outflows on regulatory fines, the company is unfortunately running out of cash at a faster rate than expected. This has narrowed the window to sell assets, and raising additional capital is nearly impossible when there is no economic return for capital providers. Given the dire situation we elected to exit SGR during the period. In hindsight, we significantly underestimated the impact of regulatory changes and significant cost impost from onerous compliance regimes. The future of casino assets in Australia looks bleak.

Other small negative performers over the period were Johns Lyng (-33%) and Domain Holdings (-16%).

Market Outlook

Global share markets rallied strongly in January, perhaps reflecting optimism that the USA can find its way out of the economic malaise it has found itself in after recent years of high inflation which has eroded confidence and prosperity in the world's largest economy. The main culprits being excessive money printing during the Covid period and wanton government spending that has racked up US\$36 trillion of debt and is expanding at the rate of US\$10bn a day. Clearly, this was unsustainable and at some point, had to be tackled. Australia is travelling a similar path with unprecedented per capita productivity declines in recent times and the government racking up debt to eke out aggregate growth. With a Federal election coming up perhaps a change in government may lead to a similar economic uplift in Australia, which would bode well for cyclical companies and smaller companies that have been under significant pressure for several years now.

We thank our shareholders for their interest in and support of the Company and would welcome your questions and participation in our results and conference calls.

About Spheria Asset Management Pty Limited (Manager)

Spheria Asset Management Pty Ltd is a fundamental-based investment management firm with a bottom-up focus, specialising in small- and micro-cap companies, which can provide higher returns in the long term than their larger peers.

The Manager is majority owned by its team, which has nearly 100 years of combined investment experience. The Manager's performance culture is underpinned by sensible incentives, a focused offering and the outsourcing of non-investment functions to minority partner Pinnacle Investment Management Limited.

Find out More about the Company and Manager

To find out more information about the Company, please visit the [SEC Website](#)
To find out more information about the Manager, please visit the [Spheria website](#)

Contact Us

If you have any questions for the Company, please reach us on 1300 010 311
If you have any questions regarding your shareholding, please call Automic, the Company's share registry on 1300 902 587

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