



Spheria Emerging Companies  
Limited

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ACN 621 402 588

5 September 2018

Company Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Shareholder,

Please join us on today, 5 September 2018 from 11:00am – 11:30am (Sydney time AEST) for a conference call with Matthew Booker and Marcus Burns, Portfolio Managers of the Manager Spheria Asset Management Pty Ltd, to discuss the Company's investment portfolio.

**Dial in details:**

**Within Australia: 1300 254 398**

**Outside Australia: +613 6218 0610**

The presentation slides are available below and will also be made available on our website before the conference call will start.

Yours sincerely,

**Calvin Kwok**  
Company Secretary

# Spheria Emerging Companies Limited

ASX : SEC

Annual Results and Portfolio Update

# Spheria Emerging Companies (ASX: SEC)

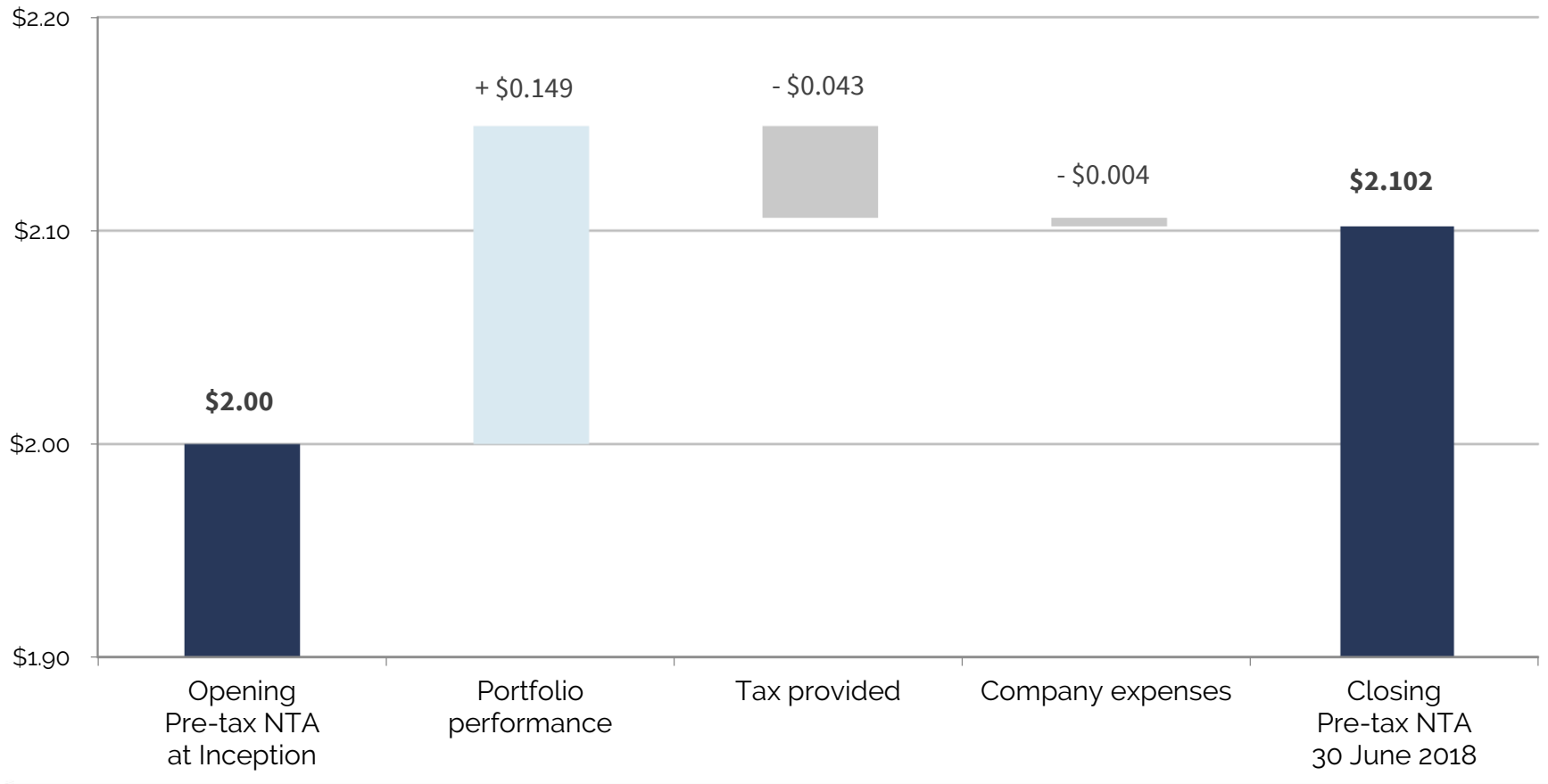
## FY2018 results

FY2018 profit	Portfolio performance
<b>\$7.1m</b>	<b>+7.7%</b>

	Dividend	Dividend yield*
Cash	<b>4.0c</b>	<b>2.1%</b>
Franking (100%)	<b>1.7c</b>	
Grossed-up	<b>5.7c</b>	<b>3.0%</b>
Annualised	<b>6.9c</b>	<b>3.6%</b>
Annualised grossed-up	<b>9.8c</b>	<b>5.1%</b>

\* Share price as at 27 August 2018 of \$1.93

# NTA performance breakdown for FY2018



# Spheria Emerging Companies Ltd (ASX : SEC)

## Investment Manager

Spheria Asset Management Pty Limited

## ASX Code

SEC

## Share price

\$1.945

## Inception date

30 November 2017

## Listing date

5 December 2017

## Benchmark

S&P/ASX Small Ordinaries Accumulation Index

## Management Fee

1.00% (plus GST) per annum

## Performance Fee

20% (plus GST) of the Portfolio's outperformance

## Market Capitalisation

\$129m

## Net Tangible Assets (NTA)<sup>1</sup>

<b>Pre-tax NTA<sup>2</sup></b>	\$2.102
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<b>Post-tax NTA<sup>3</sup></b>	\$2.107
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## Performance as at 30<sup>th</sup> June 2018

	1m	3m	6m	Inception*
<b>Company<sup>2</sup></b>	0.3%	3.3%	1.8%	5.1%
<b>Benchmark</b>	1.1%	7.7%	4.7%	7.8%

\* Inception date is 30<sup>th</sup> November 2017

<sup>1</sup> NTA calculations (as at 30 June 2018) exclude Deferred Tax Assets relating to capitalised issue cost related balances and carried forward tax losses of \$0.000 per share

<sup>2</sup> Pre-tax NTA includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains

<sup>3</sup> Post-tax NTA includes tax on realised and unrealised gains and other earnings

# SEC – Portfolio Performance

## SEC Portfolio performance

<b>Net Performance as at 30th Jun 2018</b>					
<b>Period</b>	<b>1 month</b>	<b>3 month</b>	<b>6 month</b>	<b>Since Inception</b>	<b>Inception Date</b>
SEC Mandate	0.6%	5.9%	4.2%	7.7%	30/11/2017
Benchmark	1.1%	7.7%	4.7%	7.8%	
Outperformance	-0.5%	-1.7%	-0.4%	-0.1%	

## SEC NTA performance

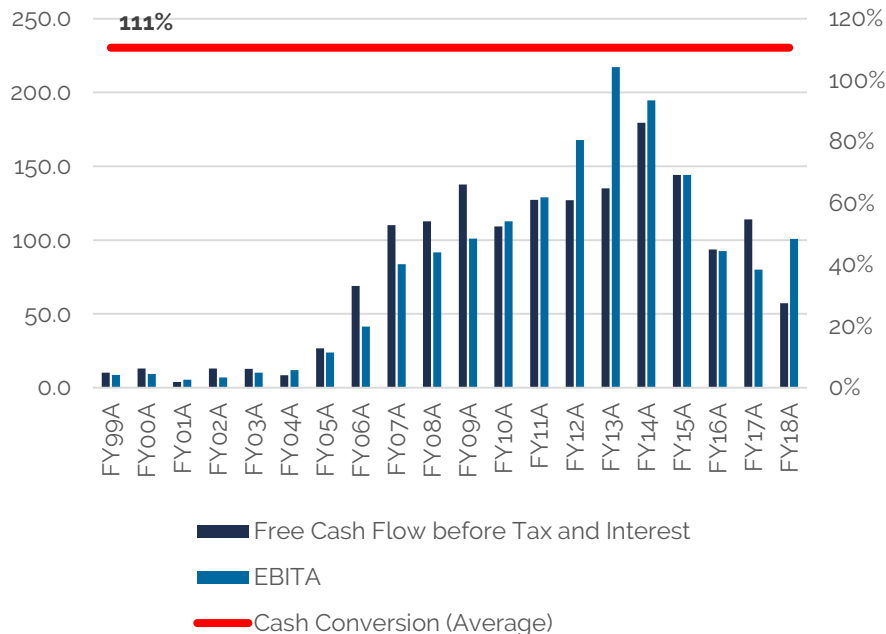
<b>SEC Limited Performance 30th Jun 2018</b>					
<b>Period</b>	<b>1 month</b>	<b>3 month</b>	<b>6 month</b>	<b>Since Inception</b>	<b>Inception Date</b>
Company's Performance	0.3%	3.3%	1.8%	5.1%	30/11/2017
Benchmark	1.1%	7.7%	4.7%	7.8%	

- Company's performance is calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains.
- The Benchmark is pre-tax, S&P/ASX Small Ordinaries Accumulation Index

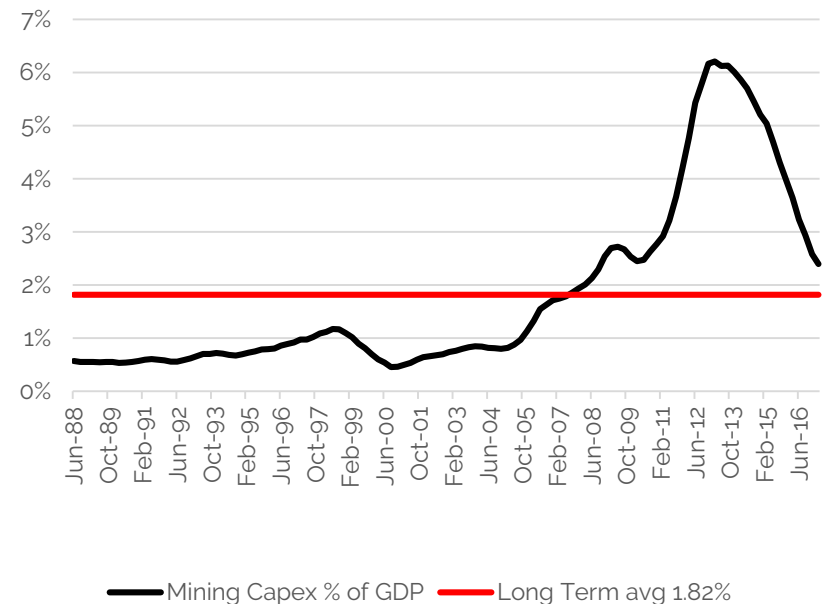
# Monadelphous (MND:ASX)

## Spheria prefers companies with solid cash flow conversion

Cash Flow vs Profit

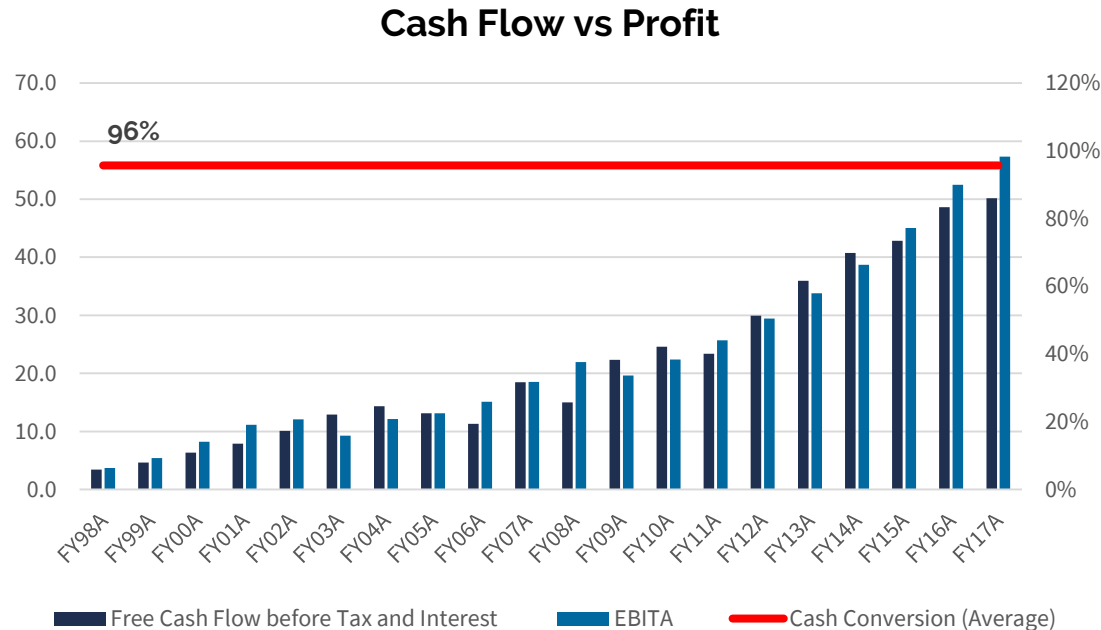


Australian Mining Capex % of GDP



Source : Morningstar, Spheria, ABS (data up to March qtr 2017) 5625, 5206

# Technology One (TNE.ASX)



- 20 year track record of strong cash flow generation
- Transitioning to a full SAAS provider
- Recurring revenue to increase from 50% to around 65% by FY22

Source: Morningstar Data & Spheria Estimates

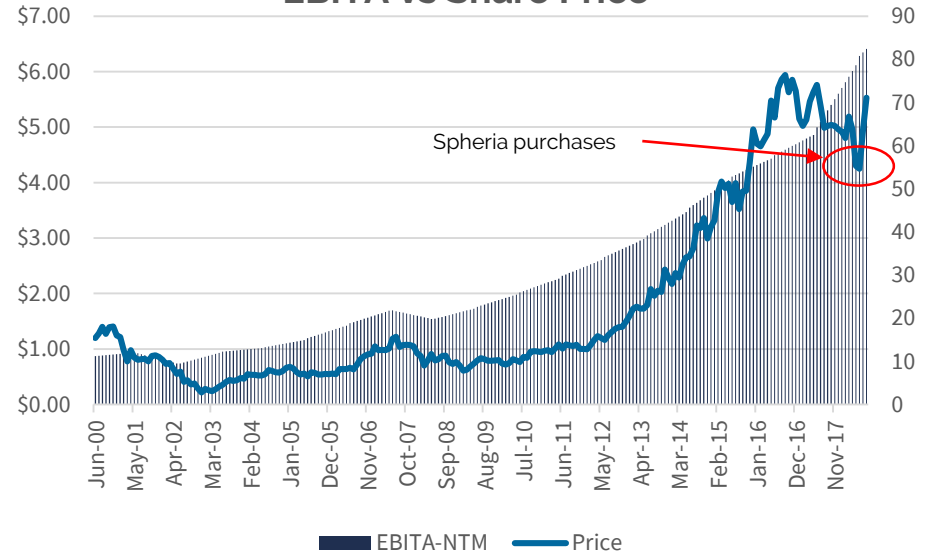


# Technology One – Price vs Value

## EV/EBITA

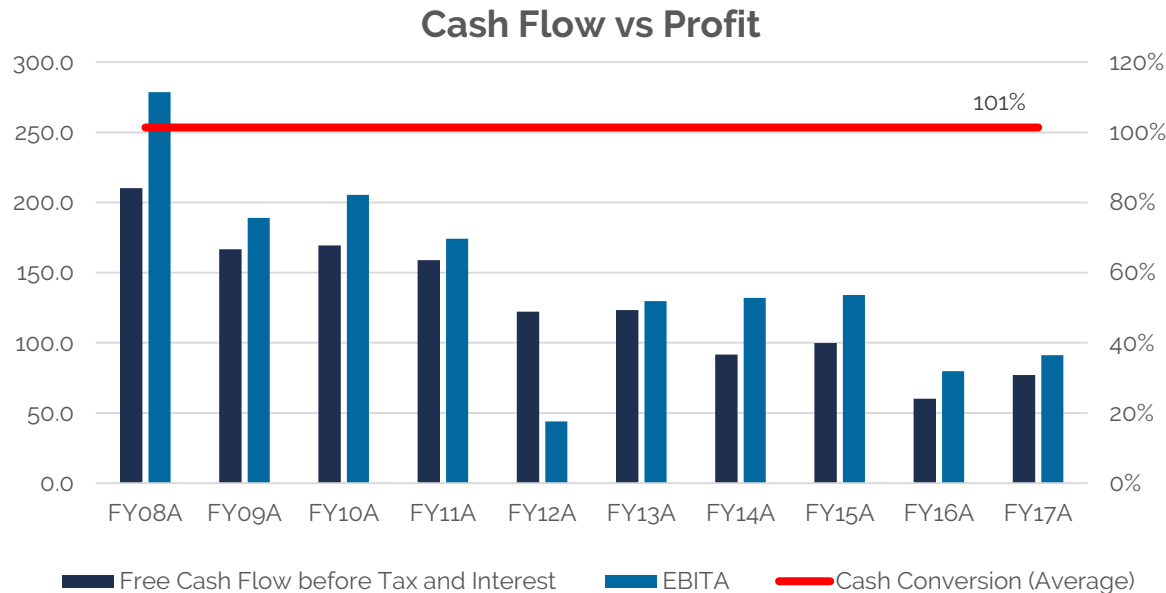


## EBITA vs Share Price



- Price is what you pay, value is what you get
- Share price bounced significantly since we bought majority of our stake in May-June 2018 period at average price of \$4.46

Source: Morningstar Data & Spheria Estimates



- Outdoor media asset (Adshel) and Radio assets (ARN)
- Adshel received two bids – oOh!media ultimate winner at \$570m
- Cash rich with undemanding valuation

Source: Morningstar, Spheria Estimates

# Highlights

Avoid stocks/sectors exhibiting irrational exuberance

Valuation led opportunities abound

Further M&A likely

Focus on cash flow generative businesses with strong balance sheets

Valuations will matter again

# Company positions (June 30 2018)

## Spheria Emerging Companies Limited

Ticker	Name	% Portfolio
HT1	Ht&E Limited	5.3%
FBU	Fletcher Building	5.0%
TNE	Technology One	5.0%
MND	Monadelphous Group	4.5%
CL1	Class Limited	4.3%
BGA	Bega Cheese Ltd	4.2%
NVT	Navitas Limited	4.1%
CAB	Cabcharge Australia	4.1%
PTM	Platinum Asset	4.0%
MGX	Mount Gibson Iron	3.4%
<b>Top 10</b>		<b>44.0%</b>

Source: Spheria, IRESS as at June 30 2018

# Experienced, cohesive investment team

## **Matthew Booker (PM)**

Over 20 years industry experience.  
Significant alpha generation (+16% pa) in 7.5 years, managing Small Companies funds at Concord Capital and Schroders.



## **Adam Lund (Analyst)**

Over 10 years experience in small and microcaps at Schroders and Spheria.



Trading and research responsibilities

## **Allister Doecke (Trader)**

Over 10 years experience in equities dealing at Taylor Collison Australia.



## **Marcus Burns (PM)**

Over 20 years industry experience of which 7 years in London.  
Significant alpha generation in Australian small caps in the 4 years at Schroders (+18% pa)



## **Olivier Coulon (Analyst)**

Over 11 years experience in small and microcaps at BT Investment Management analysing and recommending positions.



# LIC Disclaimer

Spheria Emerging Companies Limited ACN 621 402 588 (SEC)

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