

SANDON CAPITAL

Sandon Capital Investments Ltd

Shareholder update

5 May 2022



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Dividend timetable

FULLY FRANKED INTERIM DIVIDEND

2.75cps

EX DATE

16 May 2022

ATTRACTIVE FULLY FRANKED YIELD

6% (8% including franking)

Result Highlights

- Gross investment returns represented a gain of 4.5%, compared to a 4.6% return from the All Ordinaries Accumulation Index
- Net returns represented a gain of 3.5%
- SNC has paid fully franked dividends totalling 45.3 cents per share (48cps including the interim to be paid)
- SNC has distributed 17.6 cents per share of imputation credits since inception
- Performance adversely affected by IDT Australia Ltd and City Chic Collective Ltd

Interim Dividend of 2.75 cents per share

- Shareholders holding SNC shares on the Record Date of 17 May 2022 will receive a fully franked interim dividend of 2.75 cents per share
- The DRP will apply to this dividend

Strong Dividend Capacity Remains

- Profits reserve 29.5 cents per share¹
- Franked credits 7.2 cents per share¹
- ~4 years of full dividend paying capacity at the current dividend rate²

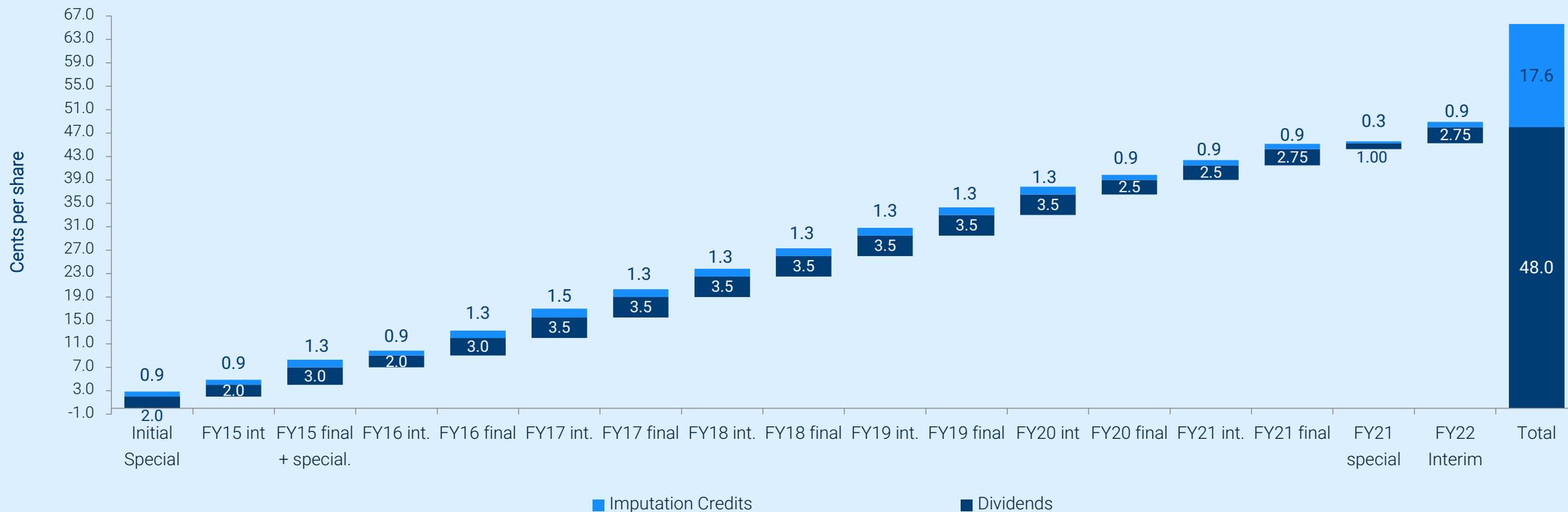


¹ As at 3 May 2022.

² This assumes current balance of franking account, which stands at 7.2 cents per share.

Dividends

Dividend policy is to pay a growing stream of fully franked dividends

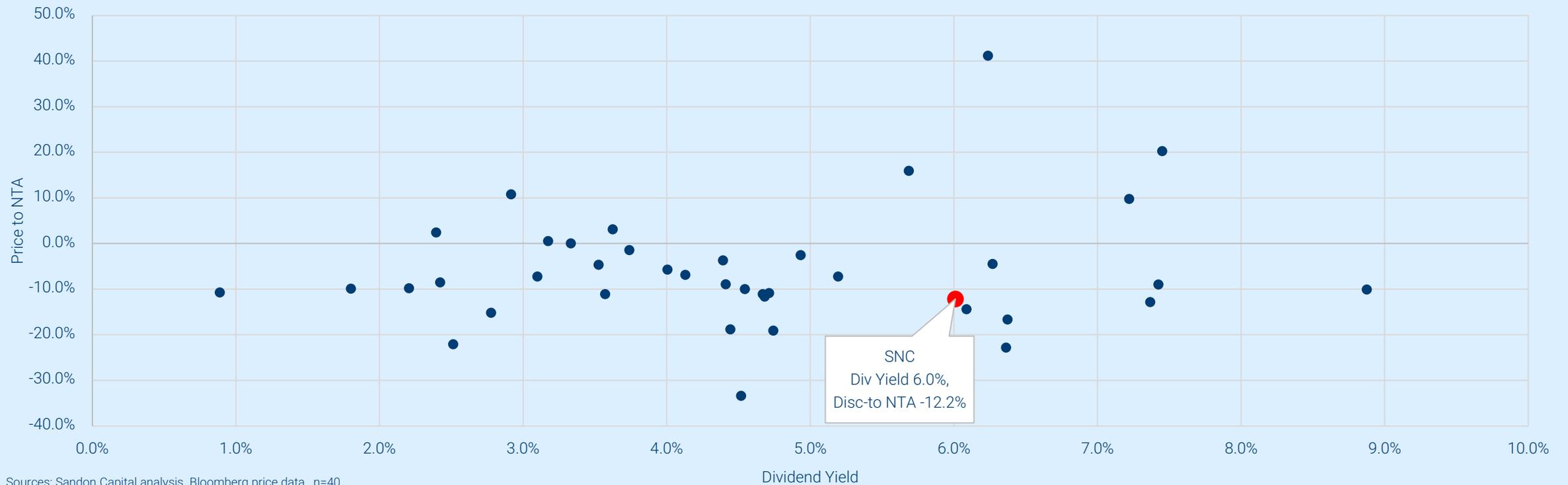


* The Board anticipates paying dividends of a similar amount to the most recent final dividend, subject of course to prudent business practice and the availability of profits and franking.

SNC Opportunity

SNC offers one of the highest fully franked yields

Current share price is an opportunity to buy at a 6.0% annualised fully franked yield at a 12% discount to NTA¹



Sources: Sandon Capital analysis, Bloomberg price data, n=40

1. Assumes 31 March 2022 Pre-tax NTA (\$1.042), share price of \$0.915 (3 May 2022)

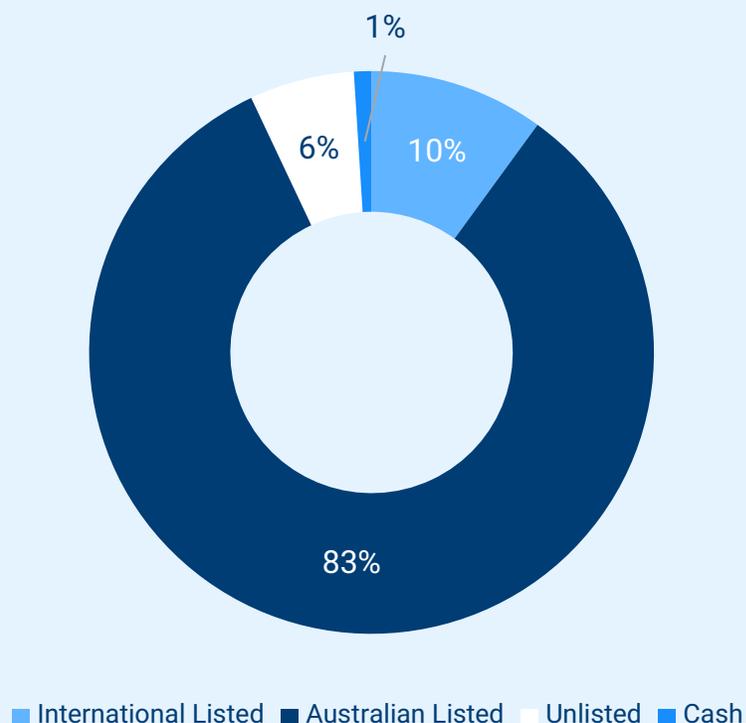
Note: The Board anticipates paying dividends of a similar amount to the most recent interim dividend, subject of course to prudent business practice and the availability of profits and franking.

Portfolio Snapshot

KEY POINTS

- Exposure to industrial economy and tailwinds from government stimulus
- Reporting season
 - Results were positive overall
 - Embedded growth opportunities remain
- Despite share price increases, many share prices represent undemanding valuations
- Investment Manager sees attractive opportunities to deploy additional capital

Portfolio Composition



Gross Portfolio composition as at 28 February 2022. All figures are approximate

TOP 5 POSITIONS

Fleetwood Ltd

COG Financial Services Ltd

A2B Australia Ltd

Spectra Systems Corp. plc

BCI Minerals Ltd

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Investment Outlook

Economic conditions are encouraging

Unemployment is at historical lows



Source: ABS

Job vacancies are at historical highs



Source: ABS

Economic conditions are encouraging

Household balance sheets are strong



Source: ABS

A\$ commodity prices are at all time highs



Source: RBA



DATE ACQUIRED

August 2020

A2B Australia Ltd

(ASX:A2B)

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ABOUT

- A2B describes itself as a “payment and mobility systems and services company”
- A2B’s dominance of the taxi payments systems, through Cabcharge, has eroded over the years. The impact of global ride share platforms has been significant

THE INVESTMENT OPPORTUNITY

- Although the business has been in decline for years, COVID-19 restrictions provided a compelling buying opportunity with significant recovery and operational potential
- A2B can become an attractive, albeit low-growth, cash generator
- Value underpinned by significant property holdings whose true worth was not reported in financial statements

ACTIVISM IN ACTION

Sandon Capital had been monitoring A2B for some time. Combination of global ride share platforms and COVID-19 restrictions provided us the opportunity to buy at attractive prices

Growing pressure from shareholders spurred a strategy presentation from management, which only exacerbated investor concerns

Property assets revalued by company to \$81m. We believe these could be worth far more

Recovery of taxi industry, even if not to pre-COVID levels, offers significant earnings upside

Further pressure led to resignation of the Chairman and the immediate departure of the CEO

New Executive Chair, Mark Bayliss has been appointed to lead a turnaround



IDT Australia Ltd

(ASX:IDT)

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ACTIVISM IN ACTION

Our engagement with IDT has been conducted largely in private. Public engagement during the mRNA “Approach to Market” could have been counterproductive

Our private engagement has not yielded the changes we had sought – the appointment of a new, well-qualified non-executive director

IDT is now awaiting a government decision on the “Modern Manufacturing Initiative”

MMI outcome will determine IDT’s future

Depending on the outcome, we may look to take a more active interest in shaping that future

Funds managed by Sandon Capital together own >12% of IDT

ABOUT

- IDT operates a sterile-ready cGMP manufacturing facility in Boronia (Melbourne) and is a contract pharmaceutical manufacturer
- IDT has produced Australia’s first home-grown mRNA vaccine candidate, developed by Monash Institute of Pharmaceutical Sciences (MIPS)
- The company has a market capitalisation <\$35m and net cash >\$13m

THE INVESTMENT OPPORTUNITY

- IDT’s Boronia facility has the capability to manufacture active pharmaceutical ingredients (API), which are the building blocks of medicines
- Domestic pharma manufacturing capability is of strategic importance

DATE ACQUIRED

November 2017



DATE ACQUIRED

January 2017

City Chic Collective Ltd

(ASX:CCX)

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ABOUT

- A multi-channel retailer that appeals to plus-size women
- Specialty Fashion Group Ltd encountered difficulties following poor acquisitions and operational performance
- City Chic was a business whose potential was clouded by wider group difficulties

THE INVESTMENT OPPORTUNITY

- Initially, perception differed from the facts
- Bought for an average of 47.5 cents per share, when it was known as Specialty Fashion Group Ltd
- Sale of troubled assets cleared the path for City Chic to thrive
- Plus-sized fashion is an underserved, growing global market (>7% p.a.)¹

1. CCX Presentation & Trading Update 27 April 2022

CURRENT STATUS

CCX has demonstrated skills to grow, both organically and through acquisition

Today, it epitomises a modern omni-channel fashion retailer

Acquisitions in UK, US and Germany deliver global opportunity above and beyond Australia

Recent share price reactions are, we believe, unwarranted. Shares have fallen by more than 50%

CCX flagged the need for inventory build to ensure customer orders can be filled

Inventory, we believe, has become a competitive advantage in retailing. We expect CCX will be able to demonstrate the benefits of that advantage

Recent update reported 25% 2HFYD sales growth.¹ May and June are key half year sales months (northern hemisphere spring/summer season)



DATE ACQUIRED

Feb 2014

COG Financial Services Ltd

(ASX:COG)

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ABOUT

- COG has reinvented itself from being an almost-failed listed investment company into Australia's largest SME finance broker and aggregator (FB&A)
- Estimated 18% market share
- The COG broker network comprises independent brokers and those in which COG has equity.
- COG also provides SME lending for equipment finance and is building a credit funds management platform through its Westlawn Finance subsidiary (Lending & Funds Management)

THE INVESTMENT OPPORTUNITY

- The COG broker network delivered more than \$6bn per annum of net asset finance to SMEs across Australia
- Its brokers have relationships with tens of thousands of SMEs across Australia

CURRENT STATUS

COG continues to build on its two-pronged strategy, FB&A and Lending & Funds Management

Westlawn Finance is transforming its successful, long established debenture program into a fully fledged funds management operation

Client focus – a virtuous circle: COG's strategy delivers its brokers a wide range of funding options for their clients, which in turn attracts more brokers

Half year NPATA result was up 25% and recent trading update reported Q3 NPATA up 49% on pcp

We expect COG to report strong full year growth numbers

We estimate COG trades at less than 5x EV/EBITDA

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About us

“Ever since 1934 we have argued in our writings for a more... energetic attitude by stockholders toward their management.”

BEN GRAHAM, THE INTELLIGENT INVESTOR

SINCE 2008

Sandon Capital has successfully applied its investment approach.

We have established a long-term track record of attractive returns

We aim to be active owners

We're an Australian-based investment firm with AUM ~\$230M

We are value Investors. We aim to buy at a discount to an asset's true worth

Our Funds

Sandon Capital Activist Fund (SCAF)

Unlisted unit trust for wholesale / qualified investors

Sandon Capital Investments Ltd (ASX:SNC)

Listed investment company

Sandon Capital Offshore Master/Feeder Fund

Incorporated in Cayman Islands for offshore investors investing through Sandon Capital Feeder Fund

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 view 'activism' as a critical investment tool



Conventional thinking regarded Specialty Fashion Group as “failed” or “failing”. Our analysis indicated otherwise.

Decided to back the board with a recapitalisation proposal. Underperforming businesses were sold, allowing the remaining business to thrive.

Investors continue to reap the rewards as City Chic successfully executes its “A World of Curves” strategy.



Analysis indicated that Fleetwood’s shares traded on a “scorched earth” basis after years of poor performance. Change was imperative.

Identified the need to focus on manufactured buildings.

Campaigned for board and management changes, the sale of non-core assets, and improved management and governance.

Board now has widespread shareholder support, a strong senior management team.



Began campaign for Iluka Resources to demerge its MAC Iron Ore Royalty in 2016.

After several years of patient, persistent work, involving long discussions with other shareholders and analysts, a consensus formed in favour of a demerger.

Today, Iluka and the newly demerged Deterra Royalties both enjoy strong market support.

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



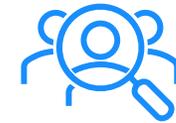
Identify companies that are mispriced and where there are opportunities to promote positive changes, and shape the future.



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.



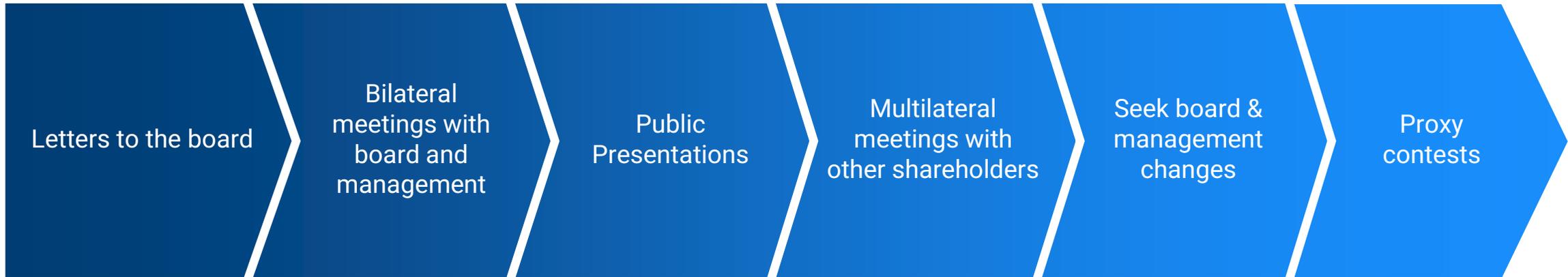
Use rigorous analysis to build shareholder consensus.

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



Gabriel is the founder of Sandon Capital and 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\$4.0bn under management. Preceding this, he was a Senior Analyst for a Global Industrials portfolio at Citadel Investment Group, a US\$50b Chicago based hedge fund. Campbell started his career in Australia, working in the Investment 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.

Volatility and uncertainty in global financial markets have become the new normal

KEY THEMES DRIVING VOLATILITY

1

COVID-19

2

Global
monetary
and fiscal
policy

3

China's
ambitions

Pandemic has continued to drive a deeper divide between market valuations



Eye-watering prices are being paid for companies seen as offering growth while many lower growth businesses are sold more cheaply.

Our fundamental approach will continue to uncover attractive opportunities



With shareholder activism unlocking value.

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C O N T A C T

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