Sandon Capital

‘Ever since 1934 we have argued in our writings for a more … energetic attitude by stockholders toward their management’

Ben Graham, The Intelligent Investor

1H FY18 Results Presentation

Agenda

- Result highlights
- Dividends
- Investment performance
- Our shareholder activist approach
- Investment objectives and outcomes
- Current activities
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- Case Studies
- Outlook

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This presentation has been prepared for use in conjunction with a verbal presentation and should be read in that context.

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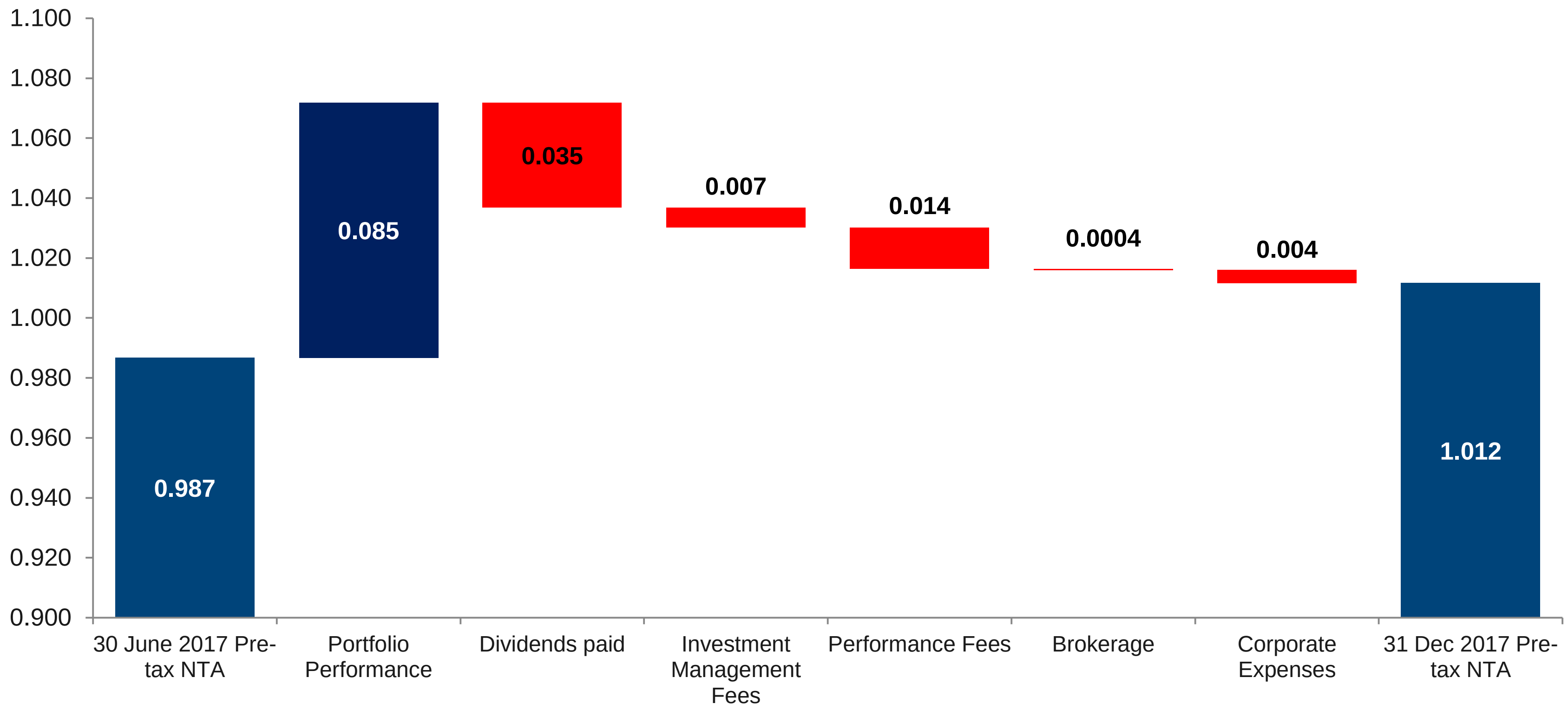
SNC 1HFY17 Result highlights

- Revenue $4,092,754
- NPAT $2,521,349
- Dividend yield of 7.1% (9.8% grossed up)[1]
- Interim fully franked dividend of 3.5 cents per share
  - SNC has declared 22.5 cents per share of fully franked dividends since listing
- 15.5% reduction in corporate costs
- 1 for 1 bonus options expire 30 April 2018
  - exercise price of $1.05 per share (yielding 6.7%/9.2% grossed up)
  - If you exercise your options, your new shares will be entitled to receive the 3.5 cents per share fully franked dividend payable on 16 May 2018

1. Assumes closing market price of $0.985 on 15 March 2018. Fully franked dividends declared include the 3.5 cps final dividend to be paid on 16 May 2018.

Half year result composition



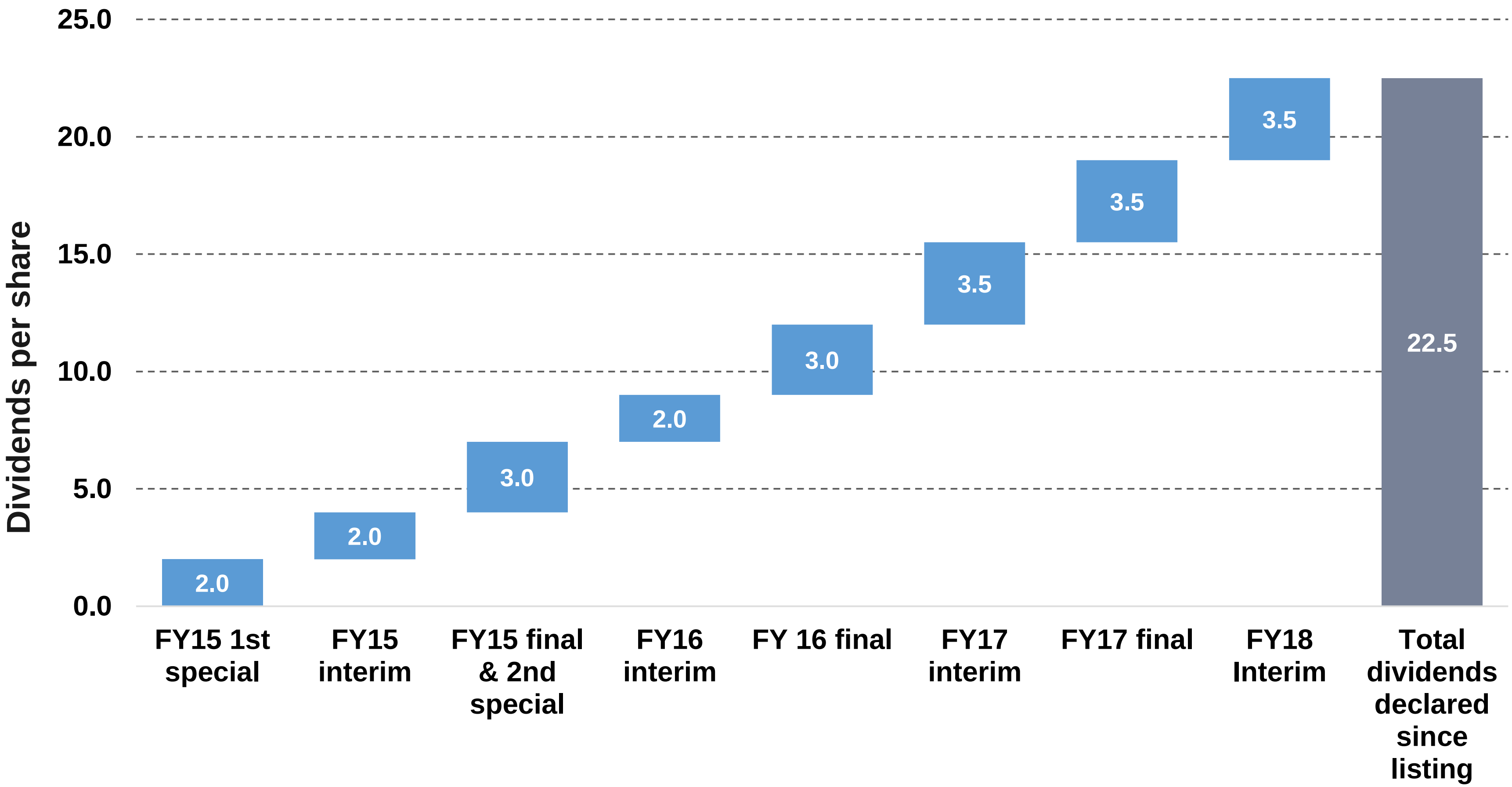
Dividends

- Directors have maintained the interim dividend at 3.5 cents per share
- Directors intend declaring a final dividend of a similar amount to the interim dividend[1]
- SNC has profit reserves of 5.7 cps as at 28 February 2017, from which directors can resolve to pay future dividends[1]
- SNC retains franking credits of at least 1.3 cps available for further fully franked dividends[1]
- SNC shares offer an attractive yield of 6.2% (8.8% grossed up for imputation credits)

1. In each case, after the payment of the 3.5 cents per share interim dividend and provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice. Any options exercised will reduce these amounts on a per share basis
2. SNC will receive additional franking credits from dividends receivable prior to 30 June 2018.

Dividends

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



Investment performance to 28 February 2018

Gross Performance	Financial YTD	1 Year return	2 Years return (p.a.)	Since inception (p.a.)
SNC	**6.5%**	**3.6%**	**15.5%**	**9.7%**
All Ords Accumulation Index	9.1%	10.9%	15.0%	9.0%
Outperformance	**-2.7%**	**-7.2%**	**+0.5%**	**+0.7%**

- Return characteristics:
  - Medium term returns above market
  - Lower volatility than the market 8.9% vs 11.0%

1. The SNC and index returns are before all fees and expenses and before any taxes. SNC returns are after brokerage expenses incurred. Dividends paid during the period are included when calculating SNC's gross investment performance.
2. Note past performance is no indication of future returns.

Our shareholder activist approach

- We are a ‘Value Investor’
- We seek to purchase investments:
  - At prices below our assessment of their intrinsic value, and
  - Where we believe we can apply our activist techniques
- When we invest our intention is to actively engage with the company
  - We don’t try to passively predict the future, by engaging we are actively trying to shape the future
- Our investors capital is precious, we will not put it at risk for the sake of being fully invested
  - We typically hold a significant amount of cash in our portfolios – but not currently
  - We have ~20% of the portfolio in event-driven and run-off opportunities – these will turn to cash in due course
  - That cash will allow us to take advantage of opportunities

Investment objectives and outcomes

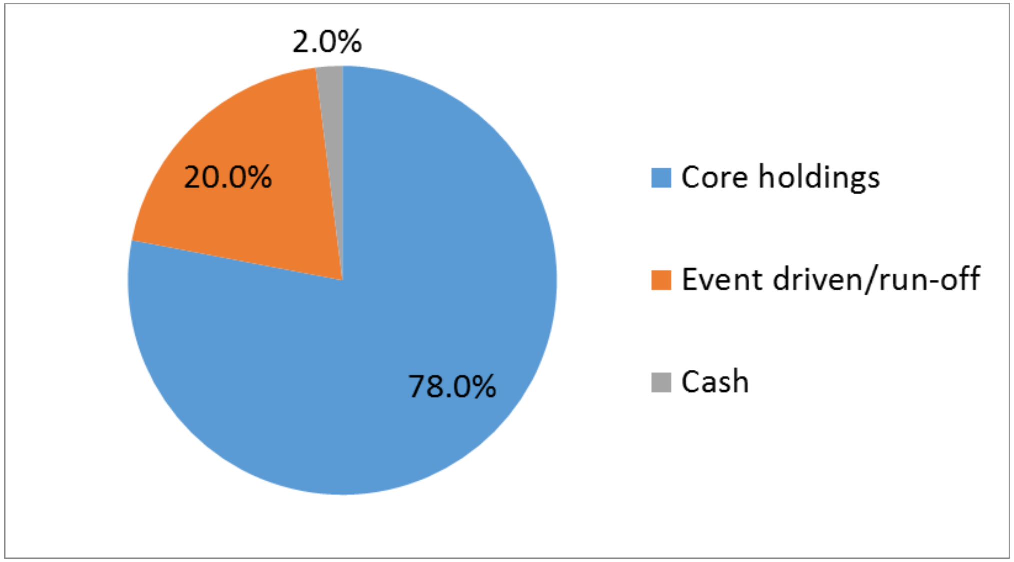
- Sandon Capital Investments Limited's objectives are to:
  - Provide an absolute positive return over the medium- to long-term
  - Preserve shareholder capital
  - Deliver regular and growing dividends, franked to the fullest extent possible[1]

- Sandon Capital Investments Limited outcomes are:
  - Positive absolute returns
    - Gross return of 9.7% per annum since inception during challenging market conditions[2]
  - Capital preservation
    - Pre-tax/Post-tax NTA up 18.0% / 15.0% respectively [3]
  - Regular and growing dividends paid
    - Declared 22.5 cents per share in fully franked dividends since inception

1. This is not intended to be a forecast. It is merely an indication of what SNC aims to achieve over the medium to long term (that is, 3 to 5 years). SNC may not be successful in meeting its objective. Any financial market turmoil or an inability by the Manager, Sandon Capital Pty Ltd, to find and make profitable investments will likely have an adverse impact on achieving this objective. Returns are not guaranteed
2. Gross returns to 28 February 2018.
3. Pre- and Post-tax NTA from 16 Dec 2013 to 28 February 2018, including dividends paid. This figure is not annualised. Annualised figures are 4.8% and 4.2% respectively.

Current activities

- Market conditions are fertile for our investment approach
- We are building positions in several companies where:
  - Shares are trading below:
    - cash backing, and/or
    - our assessment of intrinsic value
  - Strategic focus is needed
    - i.e. diverse companies that need to streamline and companies that need to spin-off valuable assets
  - Companies whose corporate governance & management could do with improvement



Activist highlights during the past 12 months

- Sandon Capital Investments Limited (SNC) has been engaging companies throughout 2017 and early 2018, both behind closed doors and publicly
- Public engagements include:

Name	Thesis/value outline	Engagement
Fleetwood Corporation Ltd Mkt Cap <$200m	Discount to intrinsic value, need for board changes, strategic rationalisation	Public release of Sandon Capital analysis, engagement with company, industry experts and shareholders. **Work in progress.**
Iluka Resources Ltd Mkt Cap <$3bn	Discounted asset (MAC royalty), which we believe would attract a premium value as a separately listed royalty vehicle	Sandon Capital released a presentation and a white paper highlighting that Iluka's Mining Area C Royalty is the best asset in the Australian mining sector and also the cheapest. In order to have the market properly value the MAC Royalty, Sandon believes Iluka should demerge the royalty via an in-specie distribution to existing shareholders. **Work in progress.**
Specialty Fashion Group Ltd <$100m	Discount to sum-of-parts and mooted corporate action	Sandon Capital has been accumulating SFH since early 2017. A plunging share price has led to the company being the subject of speculation of corporate activity. Seeking to ensure the company had all options available to it, Sandon Capital proposed an underwritten entitlement offer. We believe SFH to be worth significantly in excess of the current market price. **Work in progress.**

Case study – Specialty Fashion Group Ltd (ASX: SFH)

- Specialty Fashion Group Ltd
  - Our thesis:
    - SFH's multibrand, lower price-point speciality fashion retailing portfolio positions it well to withstand retailing challenges
    - Store rationalisation/rent reductions, improved procurement and efficiencies are possible
  - We were planning a different engagement strategy, but speculation of a corporate transaction led us to pivot to the recapitalisation proposal
  - We believe the company could be worth as much as $0.73-$1.04 per share[1]

1. Using the following assumptions:

• FY18 (bottom of the cycle) EBITDA of $18m

• EBITDA multiple of 5x

• Net cash of zero at 30 June 2018 (versus net cash of $21.3 million at 31 December 2017)

We calculate SFH to be worth at least $90m ($0.47/share) today (prior to any potential capital raising). If we are to further assume that SFH is successful with its store optimisation and transformation program, we believe the business has the capability to generate at least $25-30m of EBITDA. Using the same conservative assumptions of net cash of zero at 30 June 2018 and an EBITDA multiple of 5x, we calculate SFH to be worth $125-150m, or $0.65-0.78/share.

This analysis does not take into account the large balance of franking credits held by the company. According to the Consolidated Interim Report for the period ended 31 December 2017, the company has franking credits of $49.8m, which equates to a further $0.26/share of value for a domestic shareholder. So, adding the value of franking to both scenarios takes the value range to between $0.73 and $1.04 per share.

Case study – Fleetwood Corporation (ASX: FWD)

- Fleetwood (FWD) is a manufacturer of modular accommodation and caravans The company also owns the Searipple village in Karratha and distributes caravan parts and accessories
- FWD sum-of-the-parts is worth significantly more than its current market value
- Progress is being made:
  - FWD has sold its canopy and ute tray business (Flexiglass)
- However, FWD has again failed to deliver a long-promised RV business turnaround
- The growth in manufactured housing estates (MHEs) and schools should provide a significant tailwind to the manufactured accommodation business for the medium term
- This remains a work in progress

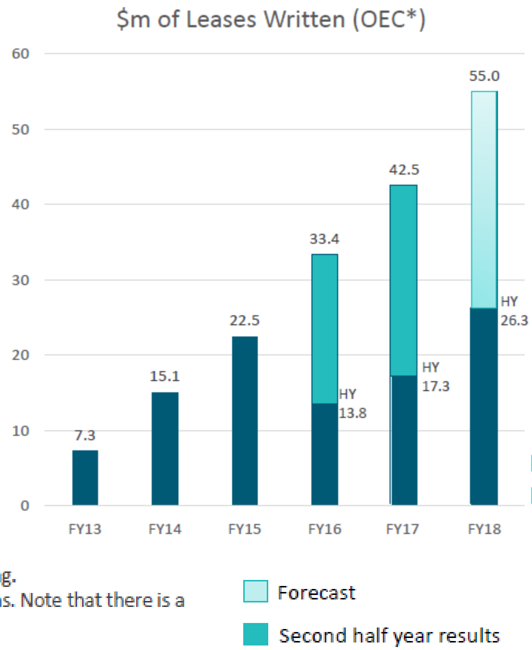
Case study – Consolidated Operations Group Ltd (ASX: COG)

- COG has been the biggest detractor from performance throughout 2017 and 2018 (~-500 bps)
- We believe there has been a chasm between COG's financial performance and its share price
- We have advocated for improved communications and investor relations
  - There has been improvement
  - COG has announced an on-market buy back
  - MD has recently acquired more shares on-market
- COG has demonstrated discipline on acquisitions, something we believe is rare amongst platform (or roll-up) companies, but since this delays growth, some investors have lost patience. We think their disappointment is misguided

Case study – COG cont'd

- Improved communications include more detail about the businesses
- Recent forecasts made by directors are significant:
  - for the growth, and
  - because directors have had the confidence to make the forecasts
- As a result, we remain confident on COG

EBITDA (after NCI)	Accounting profit		
$million	FY17 Actual [1]	FY18 Forecast	FY19 Forecast
Commercial Equipment Leasing	7.2	7.0 – 7.5	7.0 - 7.7
COG Brokers & Aggregation	8.6	8.9 – 9.9	10.9 – 12.0
Head Office & Other	(3.8)	(2.2) – (2.4)	(2.0) – (2.2)
Sub-total	**12.0**	**13.7 – 15.0**	**15.9 – 17.5**
Potential Acquisitions [2]	-	1.0 – 3.0	3.5 – 8.0
Total	**12.0**	**14.7 – 18.0**	**19.4 – 25.5**

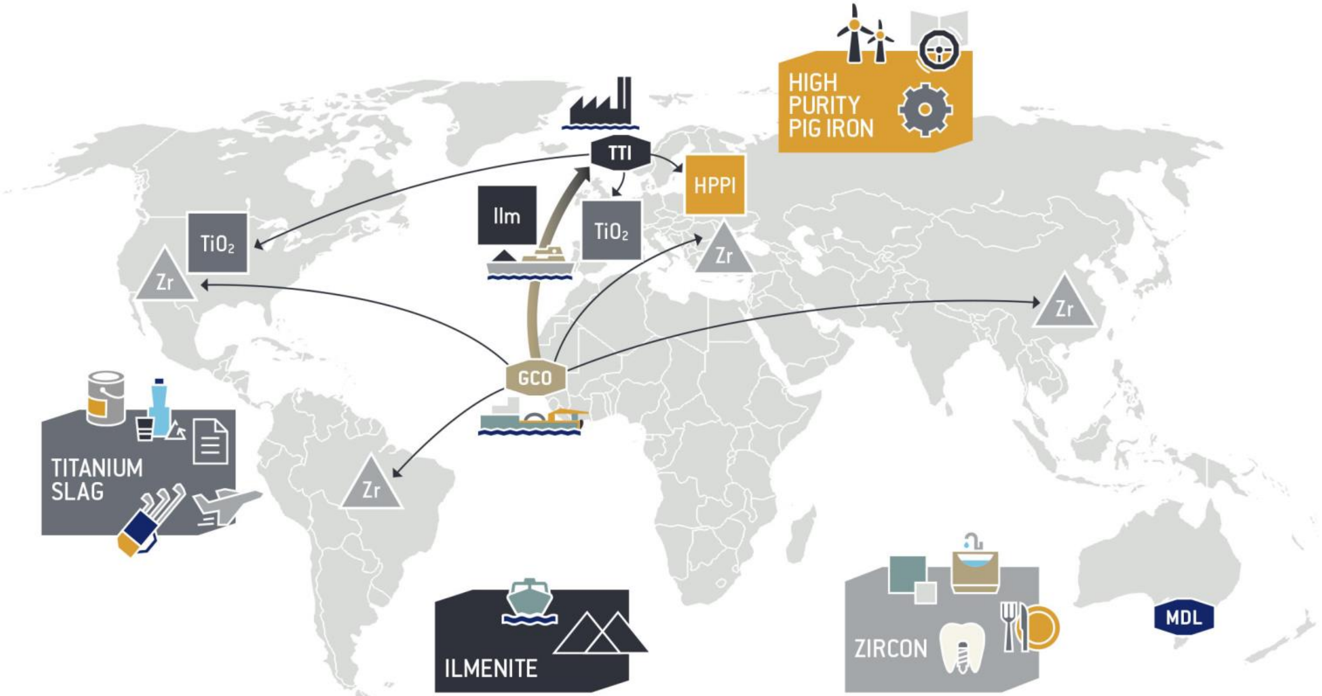


1. The FY17 numbers are shown on a Pro Forma Basis and have been restated to reflect the impact of changes to deemed acquisition accounting.
2. With cash available and a low share price, cash purchases will be a preference. The outcome will depend on the characteristics of transactions. Note that there is a material volume embedded acquisition activity from purchase options over existing minority interests.

Sources: COG 1H2018 Results Presentation

Mineral Deposits (ASX: MDL)

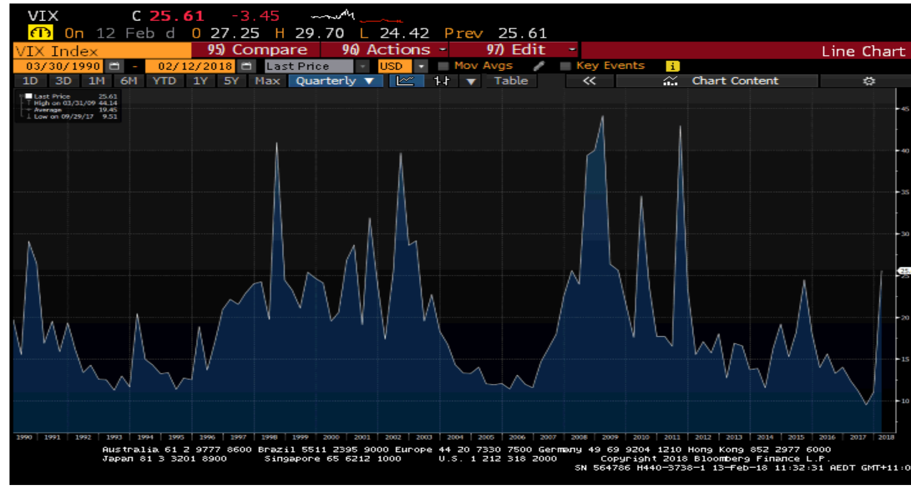
- Mineral Deposits Ltd owns 50% of TiZir, a mineral sands company with a mine in Senegal and a titanium slag furnace in Norway
- MDL's Book Value of $1.52[1] per share remains favourable compared to its current market price ($1.16)

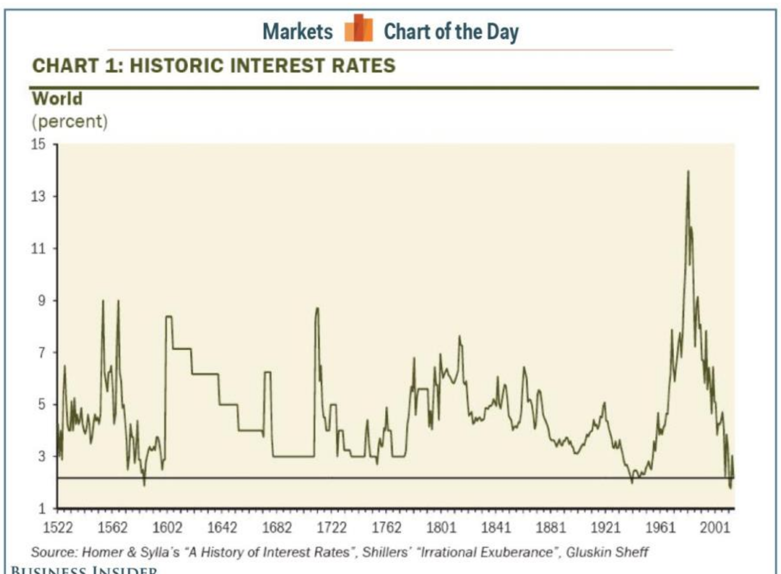


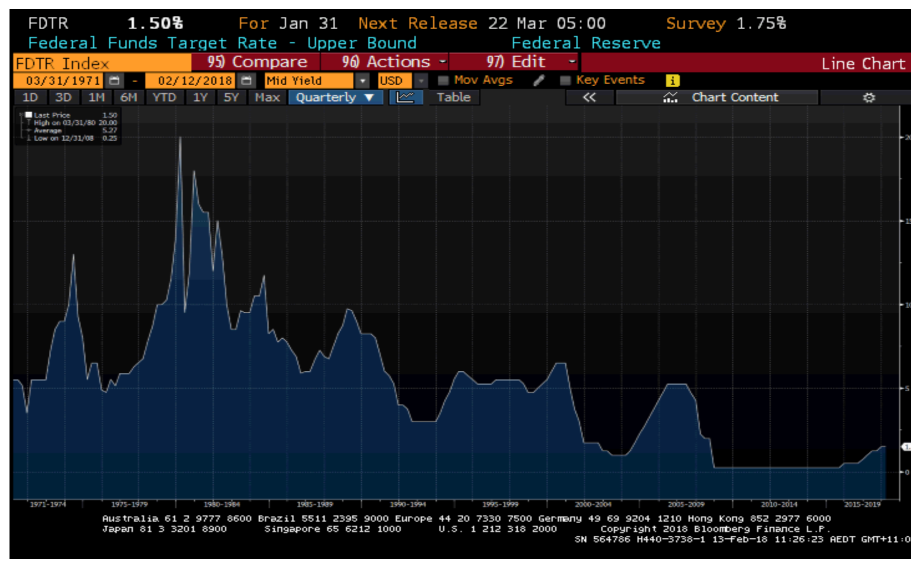
1. As at 30 June 2017

Rising interest rates = caution?

- Valuation 101: inverse relationship between price and yield
- For many investors:
  - Rising interest rates are a “new” phenomenon and
  - Inflation is a theoretical concept







Outlook

- We expect volatility and uncertainty in global financial markets have become the new normal
- Key themes driving volatility:
  - China – regional aims/boom/bust?
  - US – President Trump/rising interest rates?
  - Australia – banking royal commission/interest rates?
- We will continue to invest at prices below intrinsic value and apply our activist techniques
- We believe our fundamental approach will continue to uncover attractive opportunities with shareholder activism unlocking value

About us

- Contacting us:

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