

Spheria Emerging Companies Limited
ACN 621 402 588



Spheria Emerging Companies Limited

ASX: SEC

Full-year FY2021 Results & Portfolio Update

Agenda

1. SEC Company update
2. Portfolio update
3. Questions

Full-year FY2021 Highlights

Strong results with Company performance up 55.5%

FY21 profit	Company performance ¹	Interim dividend	Yield	Yield (including franking)
\$40.2m	+55.5%	5.0c	3.5%²	4.8%³

- FY21 net profit after tax of \$40.2m, a material turnaround from the net loss in FY20.
- Company NTA performance of +55.5%
- Final dividend of 5.0 cents per share (fully franked). Annual dividend yield equal to 3.5%² (4.8%³ including franking).
- FY21 annual dividend of 8.5 cents is an increase of 55% on the FY20 annual dividend of 5.5 cents, in recognition of the strong profit for the year.
- New target dividend yield of 4% of NTA p.a. (5.4% including franking), paid quarterly, for FY22, beginning in the September 2021 quarter.
- On-market share buy-back of \$9.9m to date, (\$3.1m during FY21), adding 2.8 cents of NTA per share.

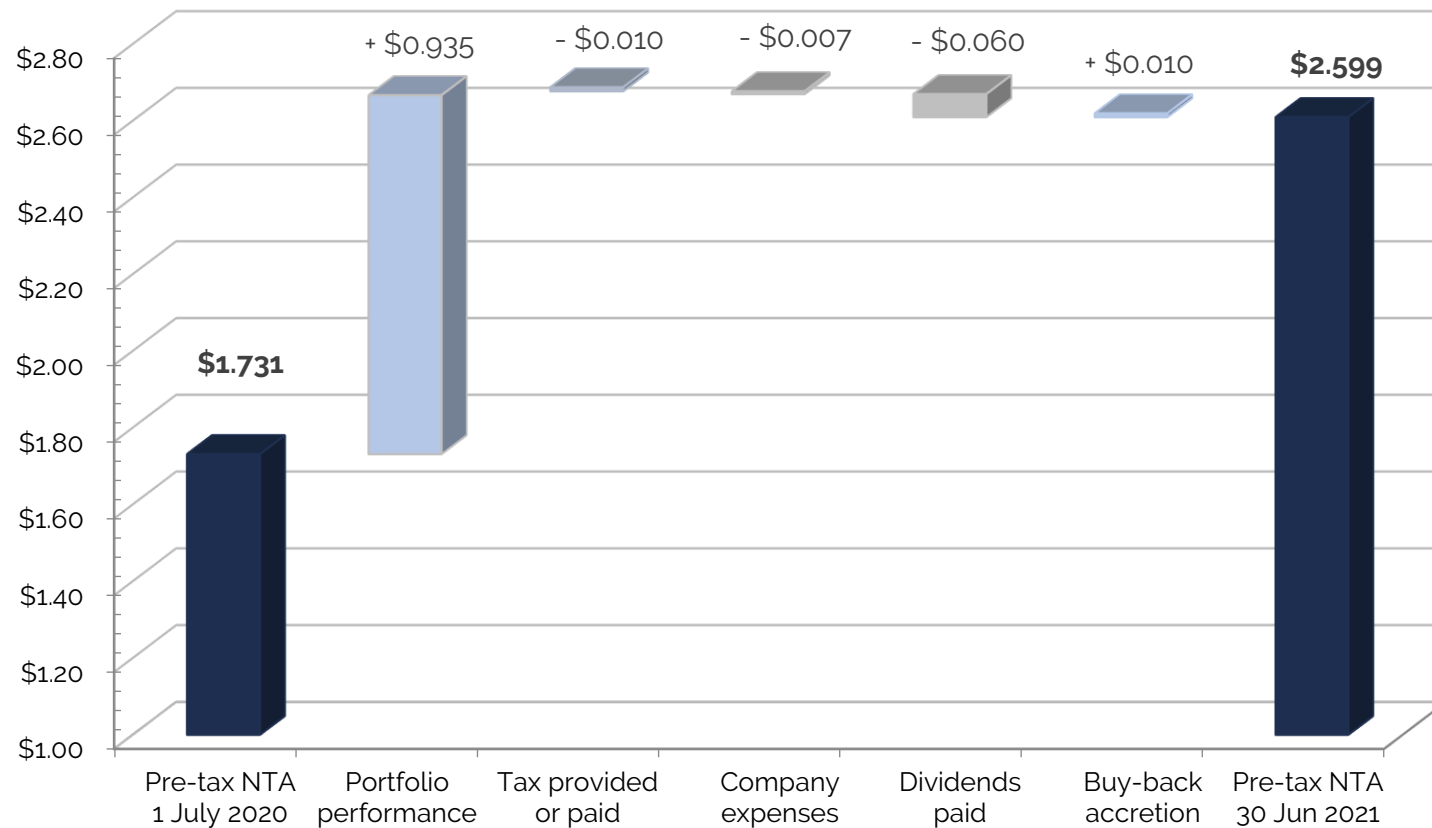
¹ Calculated as movement in Company's pre-tax NTA, which includes tax on realised gains/losses and other earnings, but excludes any provision for tax on unrealised gains/losses, adjusted for dividends paid by the Company.

² Annualised dividend yield when combined with FY21 interim dividend of 3.5 cents per share, calculated on share price as at 30 June 2021 of \$2.40

³ Annualised dividend yield when combined with FY21 interim dividend of 3.5 cents per share, calculated on share price as at 30 June 2021 of \$2.40 using 26% tax rate

NTA breakdown for FY21

30 June 2021 NTA 30% higher than IPO price of \$2.00



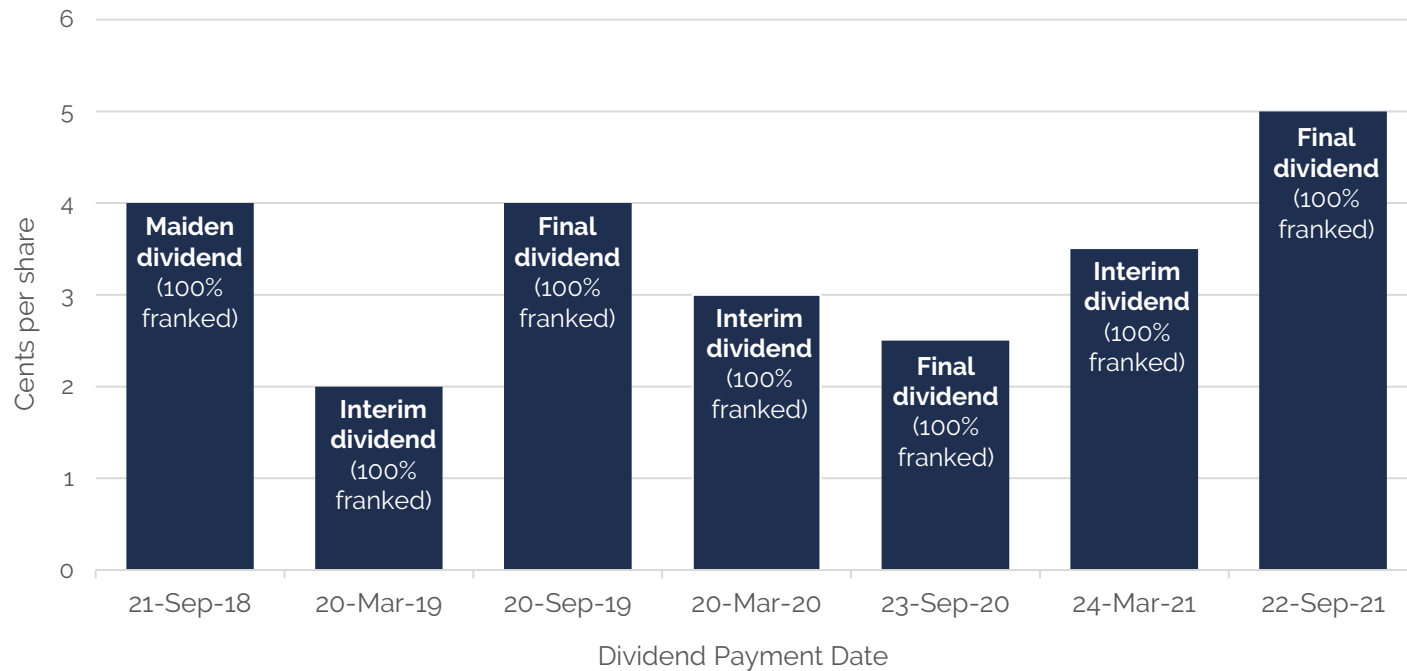
Source: Spheria Emerging Companies

Dividends

FY21 final dividend of 5c, up 100% on FY20

- Final dividend of 5.0 c per share. Full year dividends of 8.5 c, a dividend yield equal of 3.5% (4.8% including franking).
- Total dividends since IPO of 24.0 cents per share

Dividend History



FY21 Final Dividend	
Amount	5.0 cents per share
Ex-dividend Date	7 Sept 2021
Dividend Record Date	8 Sept 2021
Dividend Payment Date	22 Sept 2021

Source: Spheria Emerging Companies

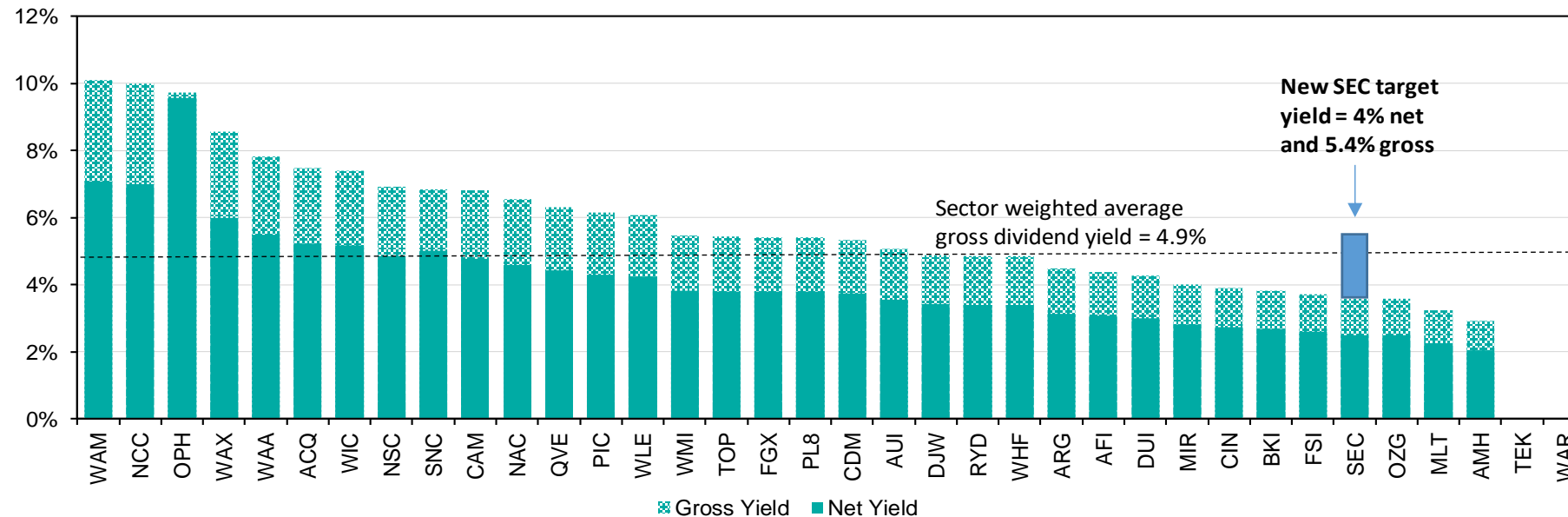
www.spheria.com.au

Dividends

New 4% dividend target, paid quarterly

- **Higher dividend:** New target dividend yield of 4% of NTA p.a. (5.4% including franking) puts SEC in top half of Australian Equity LIC income payers
- **More regular dividend:** Paid quarterly, for FY22, beginning in the September 2021 quarter

Domestic Equity LIC/LIT Dividend Yield (Net and Gross)



Source: Spheria Emerging Companies, Company Data, IRESS, Bell Potter, Based on last 12-month dividends/distributions paid. As at 30 June 2021.

Performance History

FY21 Company performance up 55.5%

SEC Company performance

Performance as at 31st July 2021

Period	6 month	1 year	3 year (pa)	Since Inception (pa)	Inception Date
Company	15.4%	54.3%	11.4%	11.2%	30/11/2017
S&P/ASX Small Ordinaries Accumulation Index	11.8%	32.3%	9.2%	9.4%	
Outperformance	3.6%	22.0%	2.2%	1.8%	

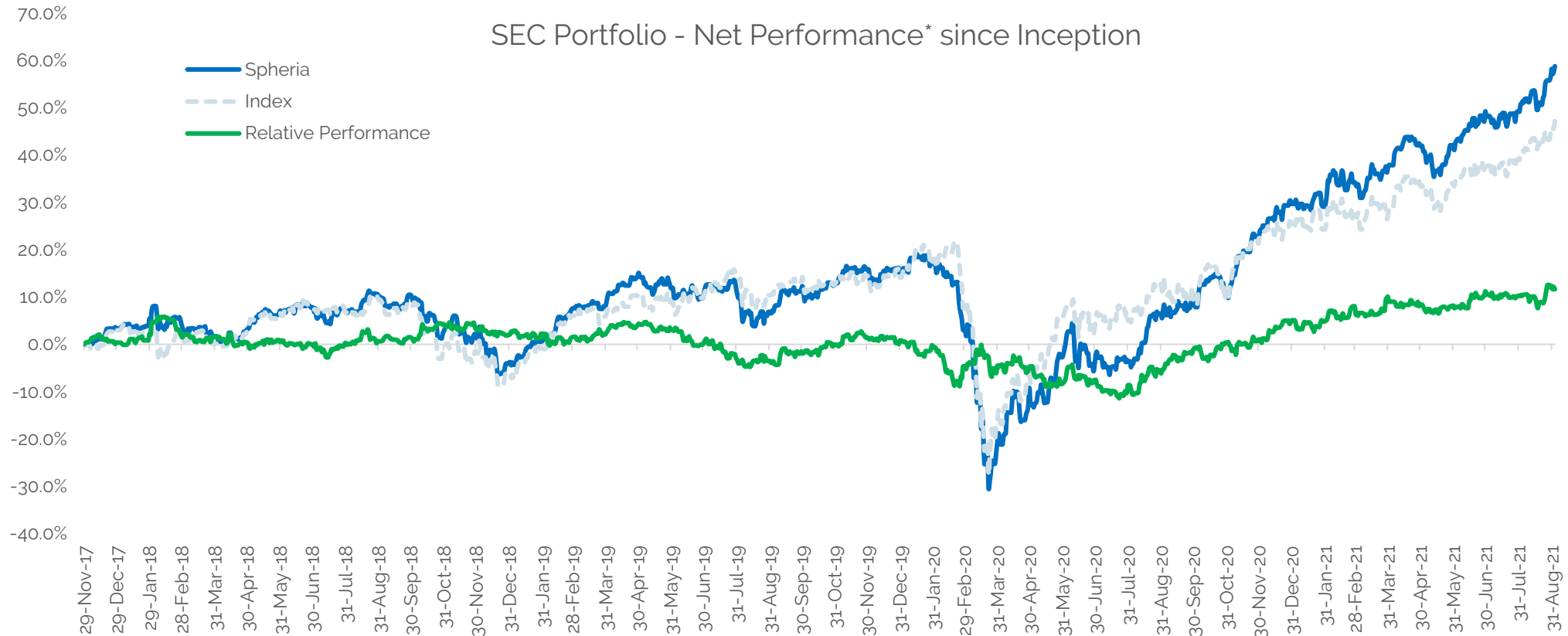
Past performance is not a reliable indicator of future performance.

Company's performance is calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, and after company expenses

Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

All p.a. returns are annualised

SEC Portfolio Performance

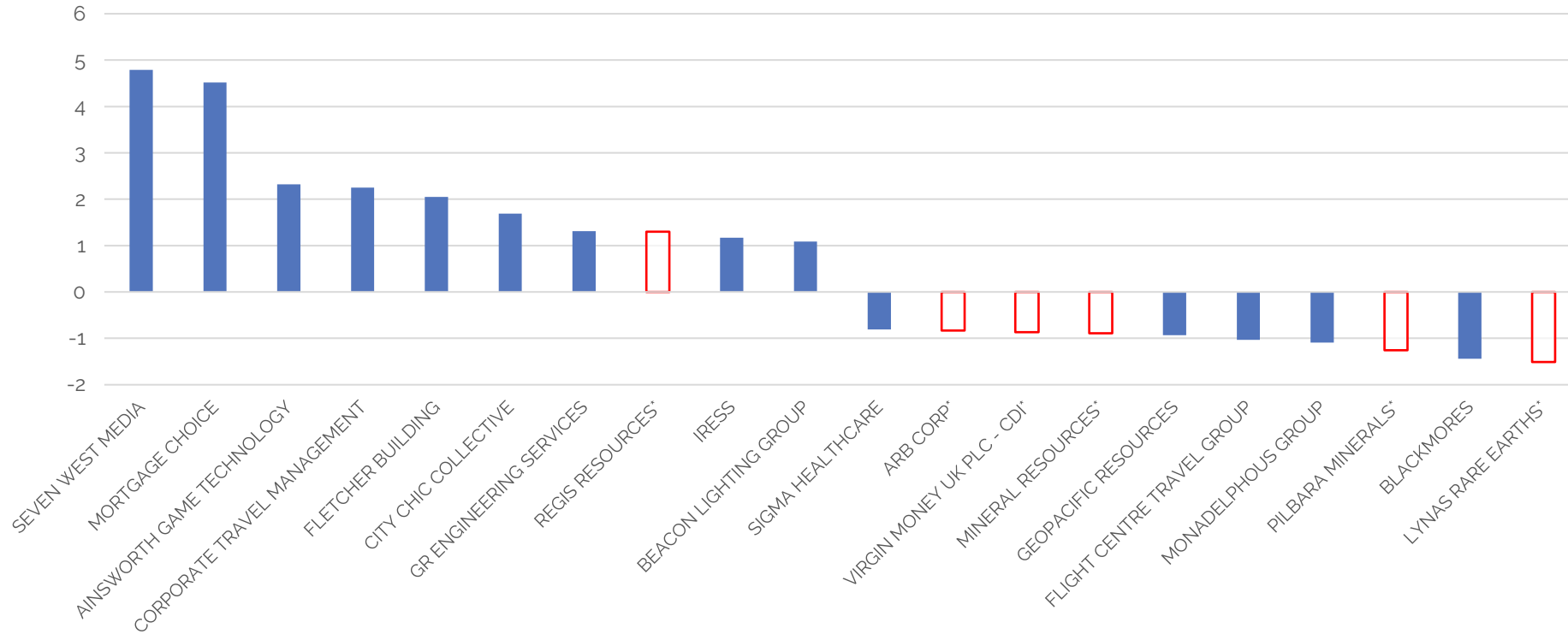


* Net Portfolio performance = investment performance of mandate after investment management fees but before taxes.

Source: Spheria Asset Management

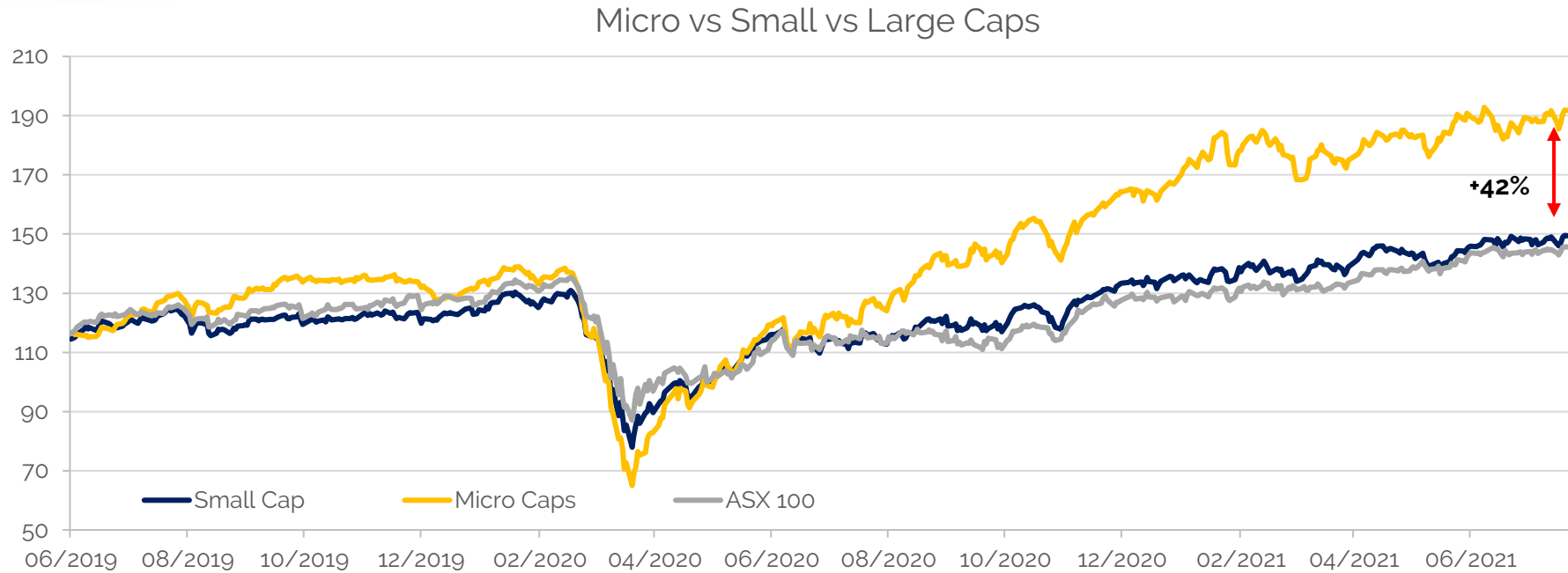
SEC attribution over past 12m

Spheria Emerging Companies - Attribution - 12 Month - June 2021



Source : Bloomberg Data as at June 30 2021

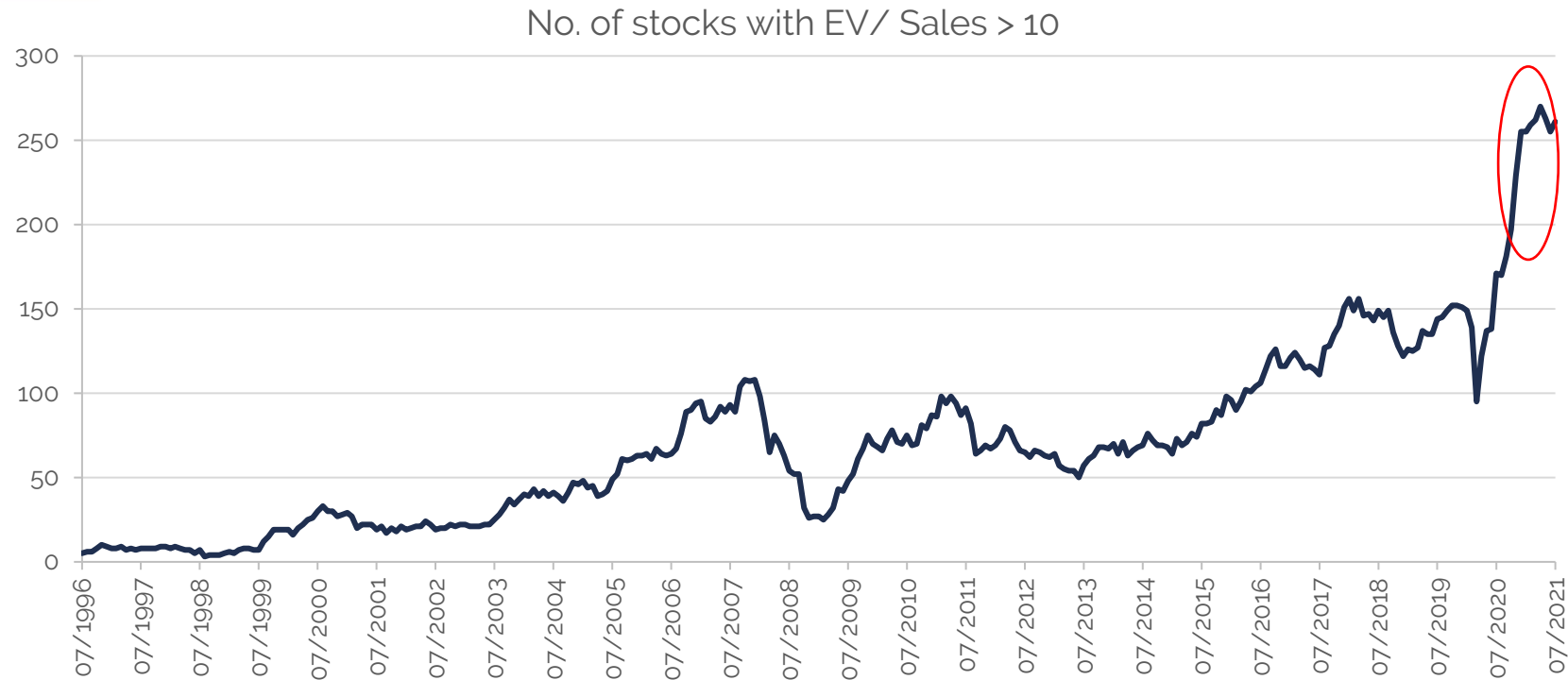
Performance by Market Cap Sector



- Microcaps and small caps have outperformed large caps since beginning of 2019
- Microcaps have outperformed small caps by 52% since March of last year
- **Feb 2021 represents greatest rolling 12m period of micros outperformance**

Chart Source: Bloomberg data. Micro/small/large accumulation indices. As at 31/07/2021

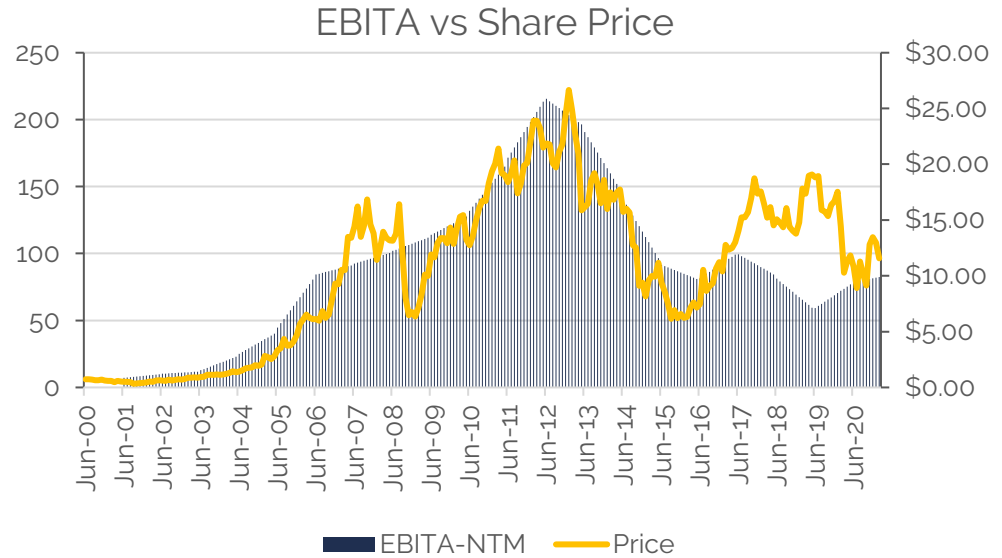
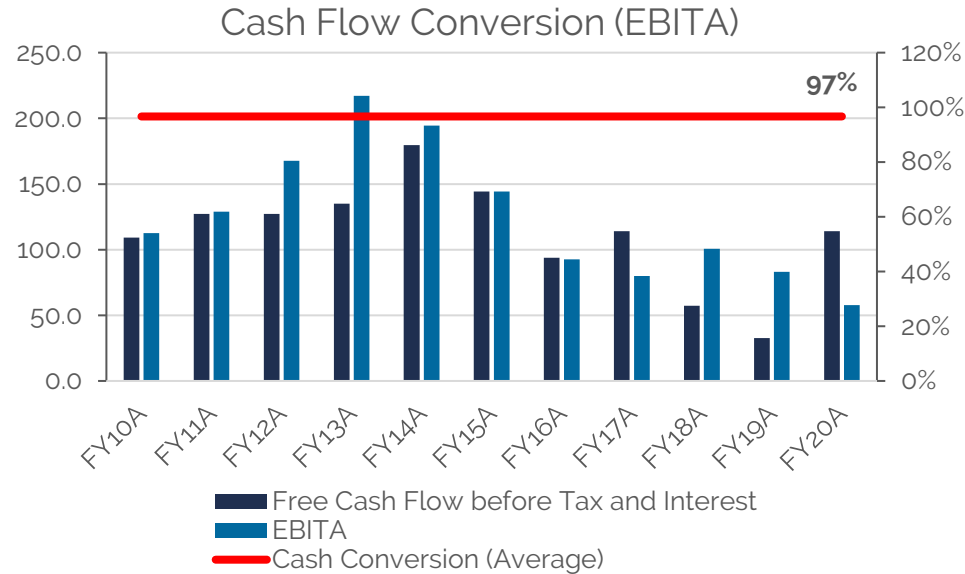
Bifurcation in the market creates opportunities



- EV/Sales > 10 is expensive in historical context
- The number of highly rated stocks has hugely expanded since Sept last year

Chart Source: Bloomberg data, ASX stocks with market cap > \$50m, < \$3.0bn and EV/trailing sales multiple over 10x. As at 31/07/2021

Monadelphous (ASX:MND) Resources recovery not priced in.



- MND has one of the best sector performance histories – executional excellence, good cash flow, conservative management.
- Market concerned about next 12m margins – resource companies looking to re-invest with record commodity prices
- Net cash balance sheet, trading on EV/EBIT of 8.8x Fy 22
- Revenue mix has shifted substantially over past 5 years to maintenance revenue, margins will recover with recovery of Eng Construction

Source : Morningstar, IRESS, Spheria.

Company Positions

Spheria Emerging Companies as at 31st July 2021

Company Name	% Portfolio
Adbri Limited	4.8
Fletcher Building	4.5
Healius	4.0
City Chic Collective	3.6
Seven West Media Ltd	3.5
Flight Centre Travel	3.4
IRESS Limited	3.4
Monadelphous Group	3.4
Blackmores Limited	3.4
Breville Group Ltd	3.3
Top 10	37.3

Source: IRESS

Outlook

- FY 2021 was a year of recovery driven by abundant liquidity and cheap valuations
- Capital markets likely to remain buoyant (M&A cycle, IPO market)
- Potential for sustained inflation to lift 10-year bond rates – would favour valuation centric investors
- Bi-furcation in market valuations continues to offer opportunities
- Despite the market's strong recovery, we see good investing opportunities for SEC Ltd

Questions



Spheria Emerging Companies Limited ACN 621 402 588 (SEC)

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