

Spheria Emerging Companies Limited

ACN 621 402 588



Spheria Emerging Companies Limited

ASX : SEC

Annual Results and Portfolio Update

Spheria Emerging Companies (ASX: SEC)

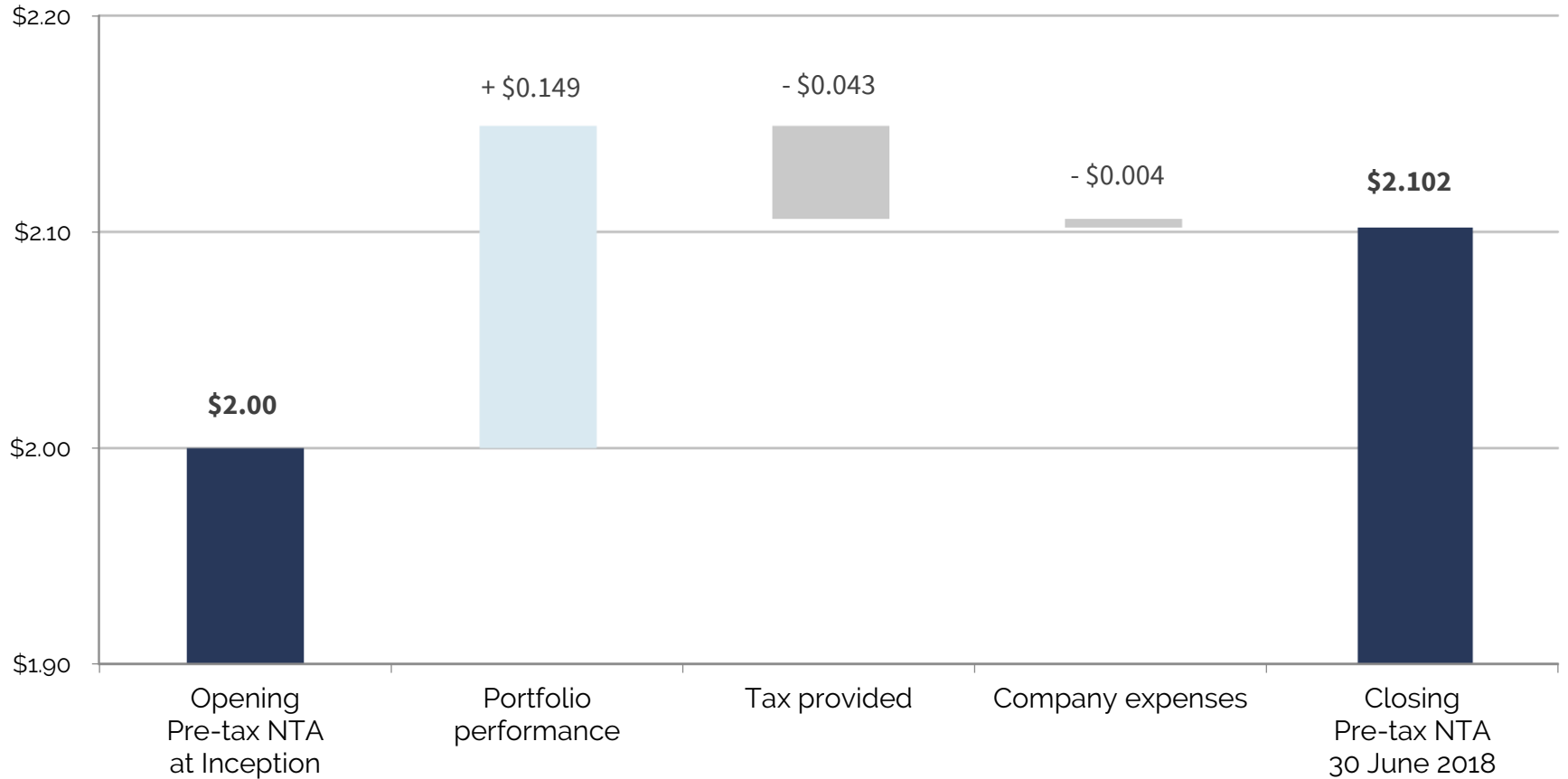
FY2018 results

FY2018 profit	Portfolio performance
\$7.1m	+7.7%

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

* 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)¹

Pre-tax NTA²	\$2.102
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Post-tax NTA³	\$2.107
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Performance as at 30th June 2018

	1m	3m	6m	Inception [*]
Company²	0.3%	3.3%	1.8%	5.1%
Benchmark	1.1%	7.7%	4.7%	7.8%

^{*} Inception date is 30th November 2017

¹ 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

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

³ Post-tax NTA includes tax on realised and unrealised gains and other earnings

SEC – Portfolio Performance

SEC Portfolio performance

Net Performance as at 30th Jun 2018					
Period	1 month	3 month	6 month	Since Inception	Inception Date
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

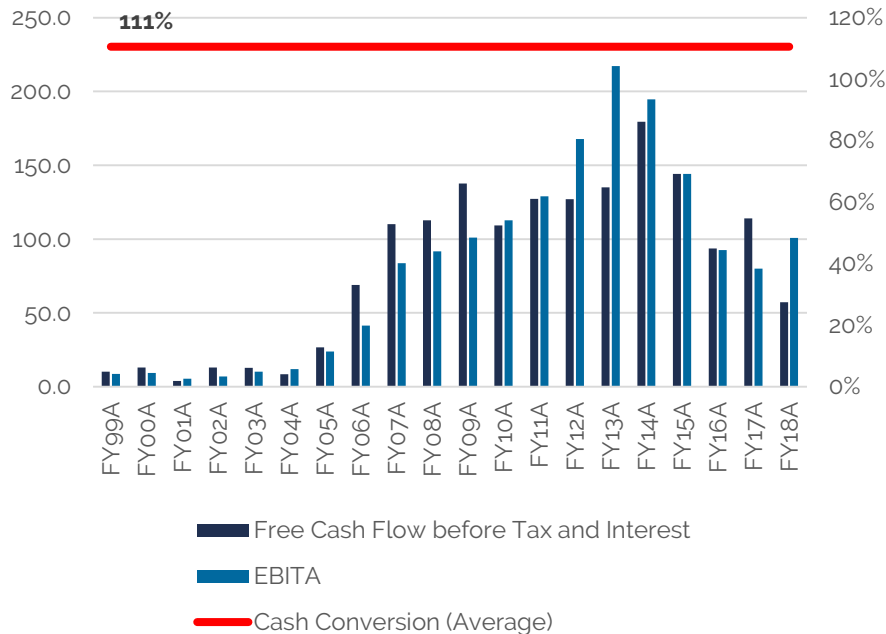
SEC Limited Performance 30th Jun 2018					
Period	1 month	3 month	6 month	Since Inception	Inception Date
Company's Performance	0.3%	3.3%	1.8%	5.1%	30/11/2017
Benchmark	1.1%	7.7%	4.7%	7.8%	

- 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

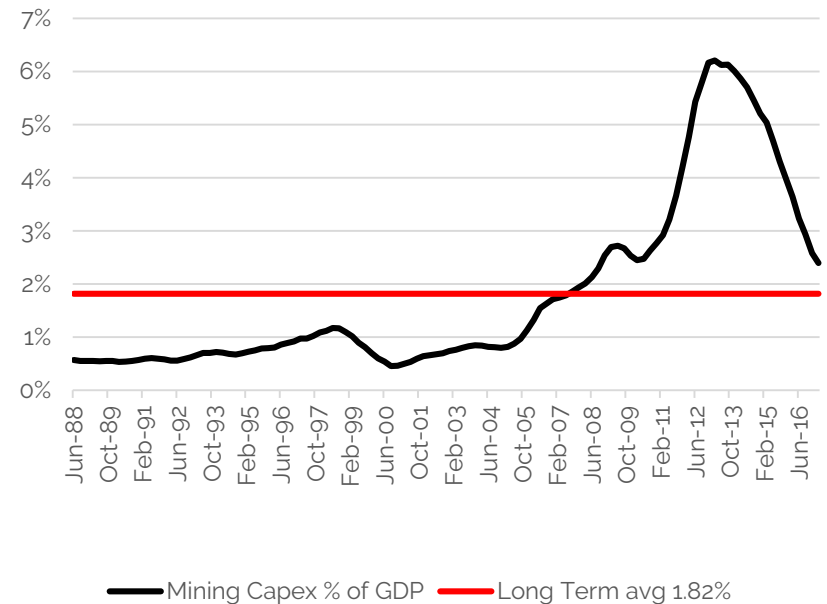
Monadelphous (MND:ASX)

Spheria prefers companies with solid cash flow conversion

Cash Flow vs Profit



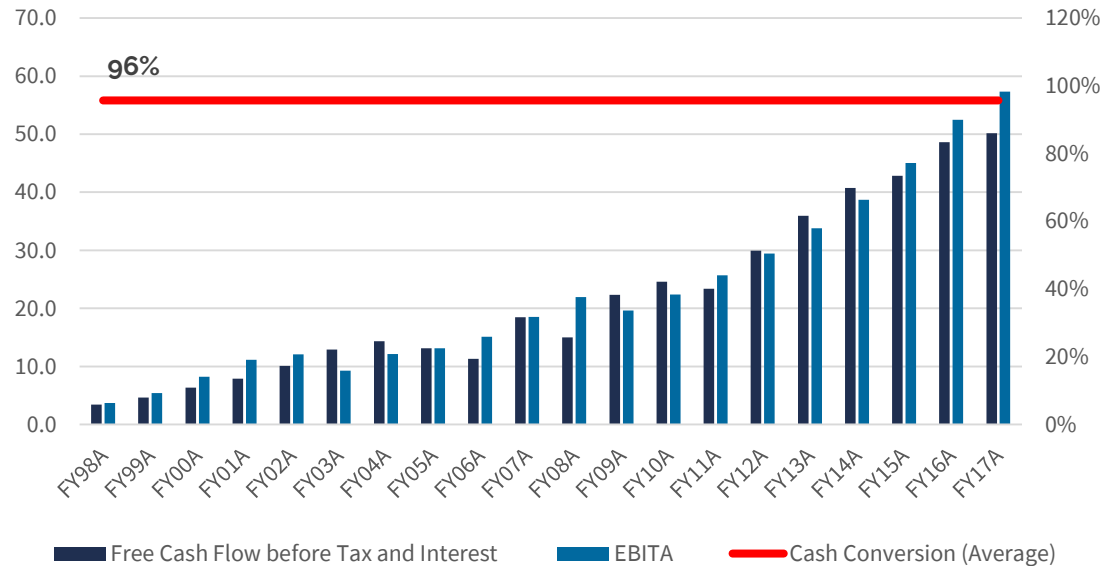
Australian Mining Capex % of GDP



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

Technology One (TNE.ASX)

Cash Flow vs Profit



- 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

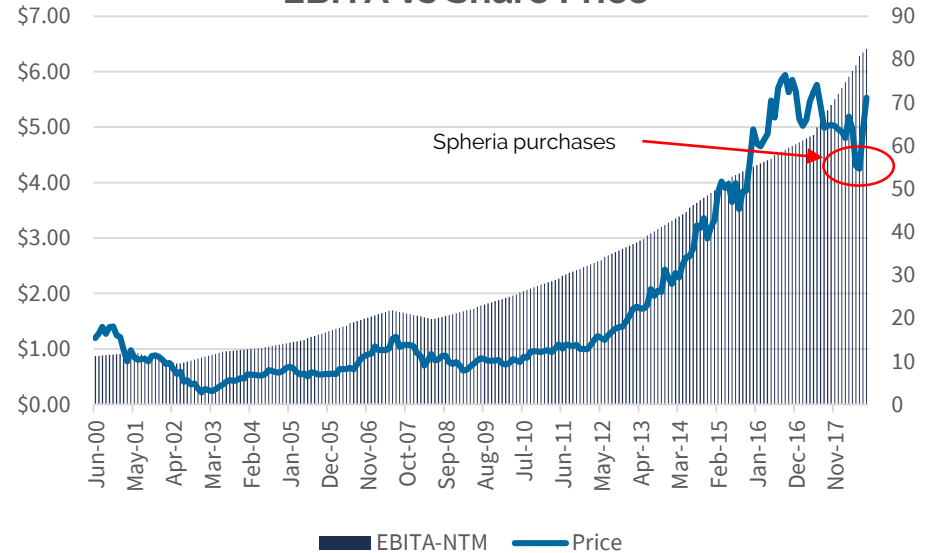
Source: Morningstar Data & Spheria Estimates

Technology One – Price vs Value

EV/EBITA

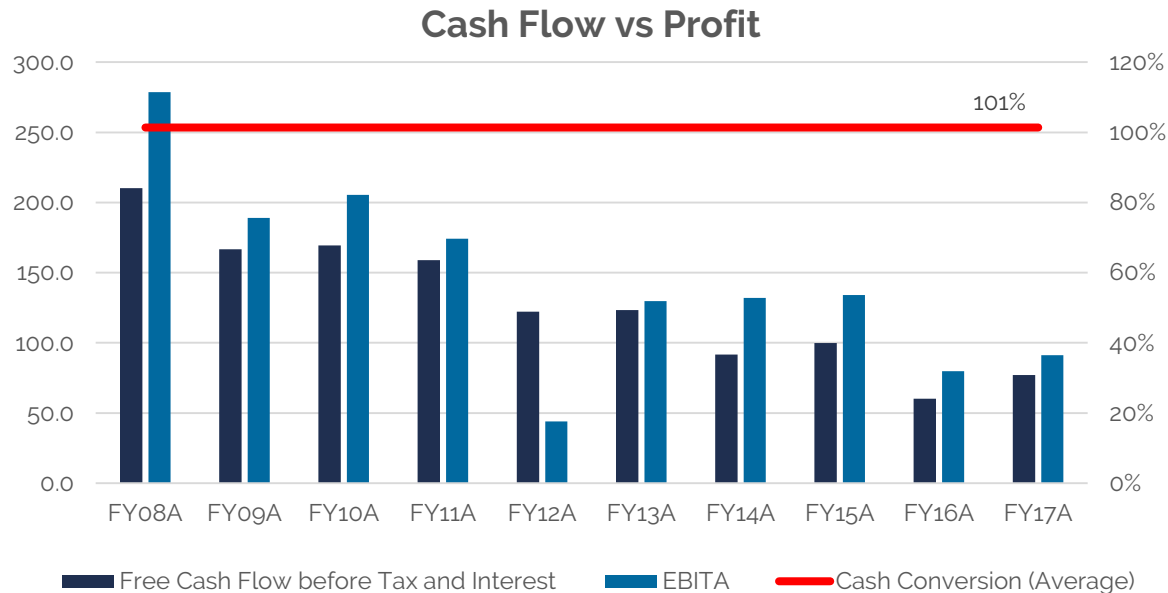


EBITA vs Share Price



- 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%
Top 10		44.0%

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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