

# Spheria Emerging Companies Limited (ASX:SEC)

FY24 Results & Portfolio Update

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Note: Past performance is not a reliable indicator of future performance.

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# Agenda

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



# SEC Company Update

# FY24 Highlights

FY24 Profit	Company Performance <sup>1</sup>	Dividends <sup>2</sup>	Yield	Yield (including franking)
\$7.6m	6.9%	12.0c	5.4% <sup>3</sup>	7.7% <sup>4</sup>

- FY24 net profit after tax of \$7.6m
- Company Performance of 6.9%, -2.4% compared to benchmark<sup>5</sup> of 9.3% (+1.9% p.a. to benchmark since inception)
- Total quarterly dividends declared for the year of 12.0 cents per share (fully franked)<sup>2</sup>
- Trailing dividend yield equal to 5.4<sup>3</sup> (7.7%<sup>4</sup> including franking)
- Conditional proposal to exchange shares in SEC for units in Spheria Australian Smaller Companies Fund announced

Source: Spheria Emerging Companies

<sup>1</sup> Calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, after Company expenses.

<sup>2</sup> Comprising September 23 quarter dividend of 2.7 cents (paid 6 November 2023), December 23 quarter dividend of 2.9 cents (paid 6 February 2024), March 2024 quarter dividend of 3.0 cents (paid 7 May 2024) and June 2024 quarter dividend of 3.4 cents (paid 13 August 2024).

<sup>3</sup> Trailing dividend yield based on total quarterly dividends declared for financial year 2024 of 12.0 cents, calculated on share price as at 30 June 2024 of \$2.22.

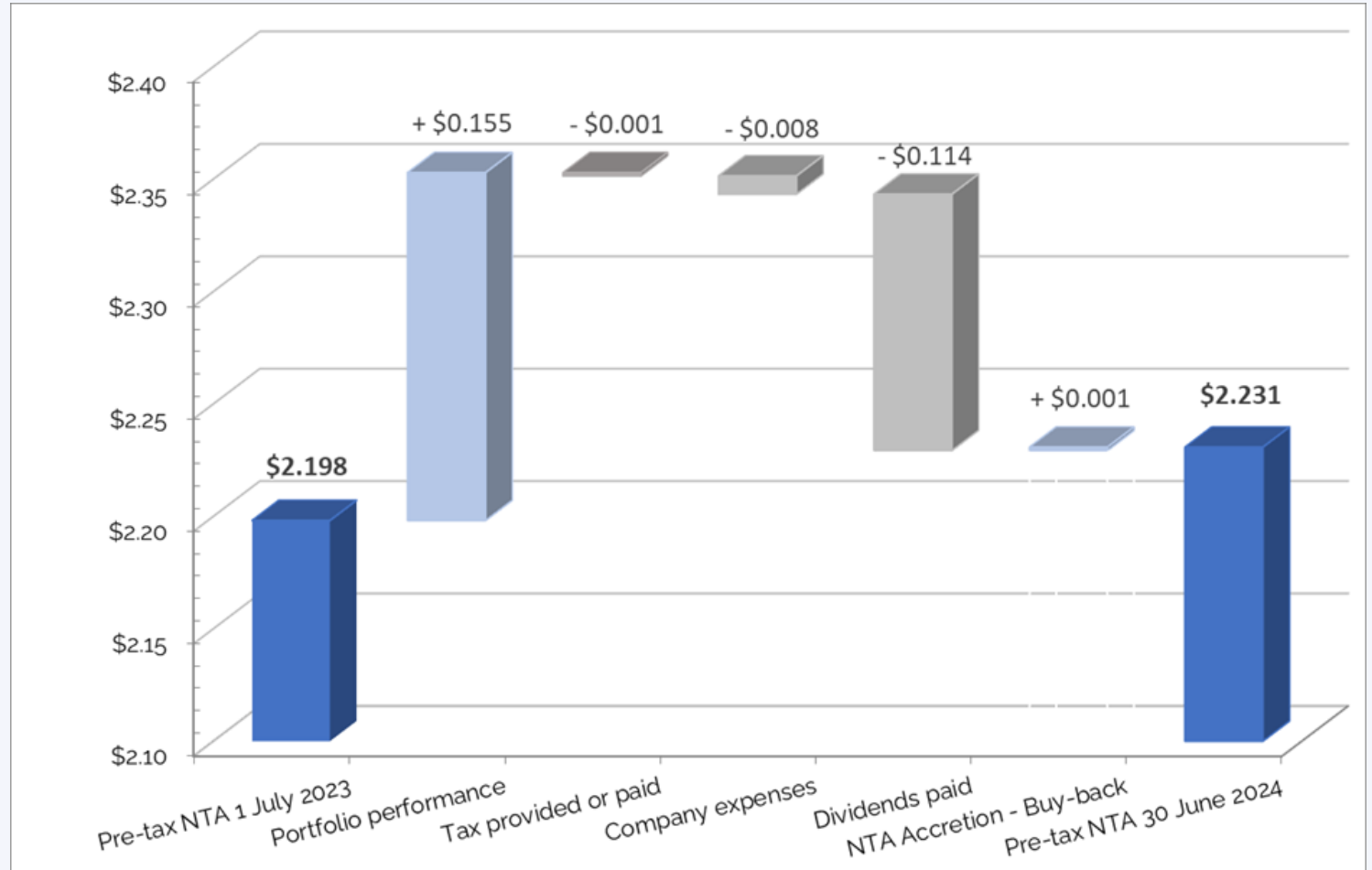
<sup>4</sup> Trailing dividend yield including franking credits based on total quarterly dividends declared for financial year 2024 of 12.0 cents, calculated on share price as at 30 June 2024 of \$2.22, using 30% tax rate.

<sup>5</sup> S&P/ASX Small Ordinaries Accumulation Index.

# NTA breakdown for FY24

Portfolio performance less dividends paid leads to an increase in NTA per share

- Pre-tax NTA increased by \$0.033 from \$2.198 at 30 June 2023 to \$2.231 at 30 June 2024
- Portfolio performance and dividends paid drive NTA changes.



# Performance History

Since inception Company outperformance of 2.3% p.a.

## SEC Company performance

SEC Limited Net Performance as at 31st July 2024

Period	1 month	3 month	1 year	3 year (pa)	5 year (pa)	Since Inception (pa)	Inception Date
SEC Ltd.	6.7%	3.0%	9.7%	2.4%	7.3%	7.1%	30/11/2017
S&P/ASX Small Ordinaries Accumulation Index	3.5%	2.0%	9.3%	-0.6%	3.5%	4.8%	
<b>Outperformance</b>	<b>3.2%</b>	<b>1.0%</b>	<b>0.4%</b>	<b>3.0%</b>	<b>3.8%</b>	<b>2.3%</b>	

Past performance is not a reliable indicator of future performance.

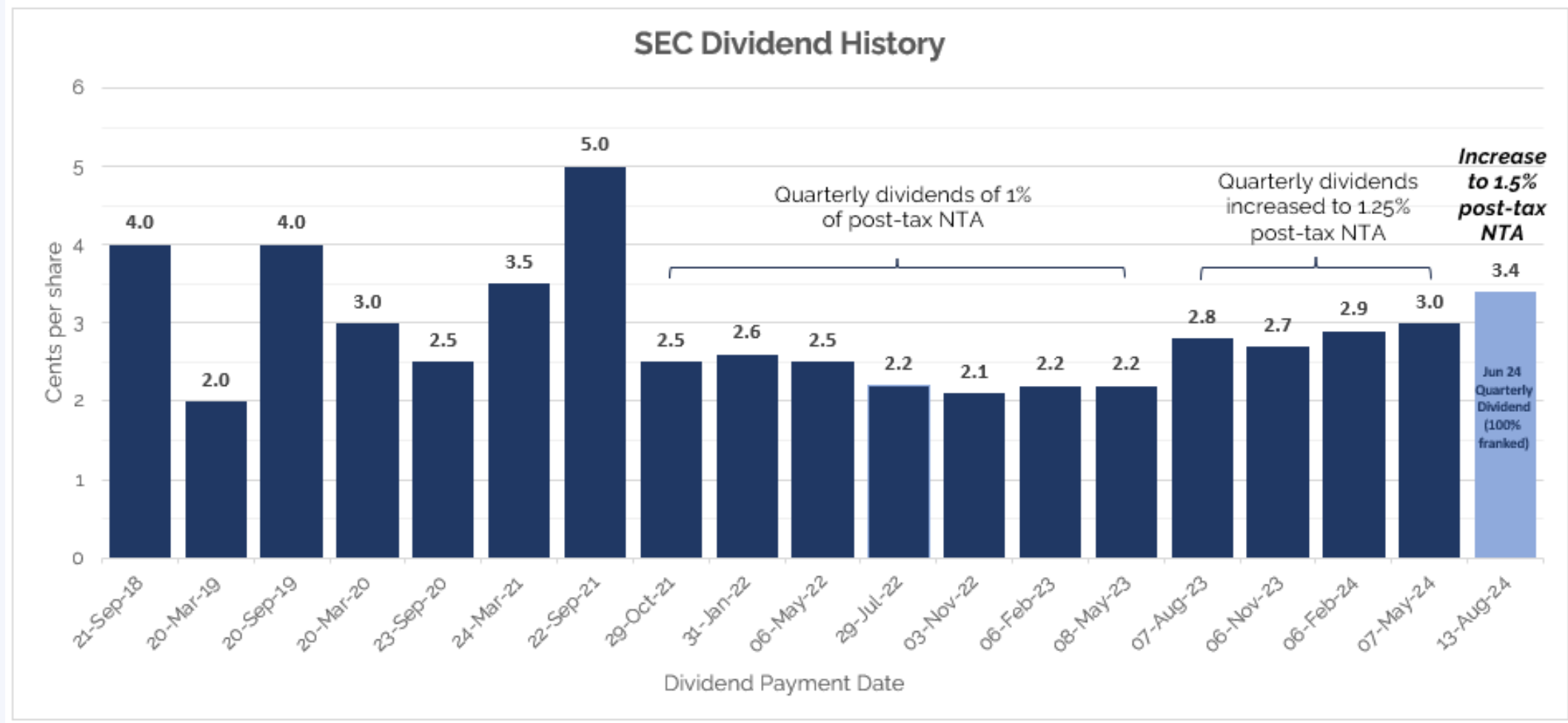
Company's performance is calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, and after company expenses

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

All p.a. returns are annualised

# Dividends

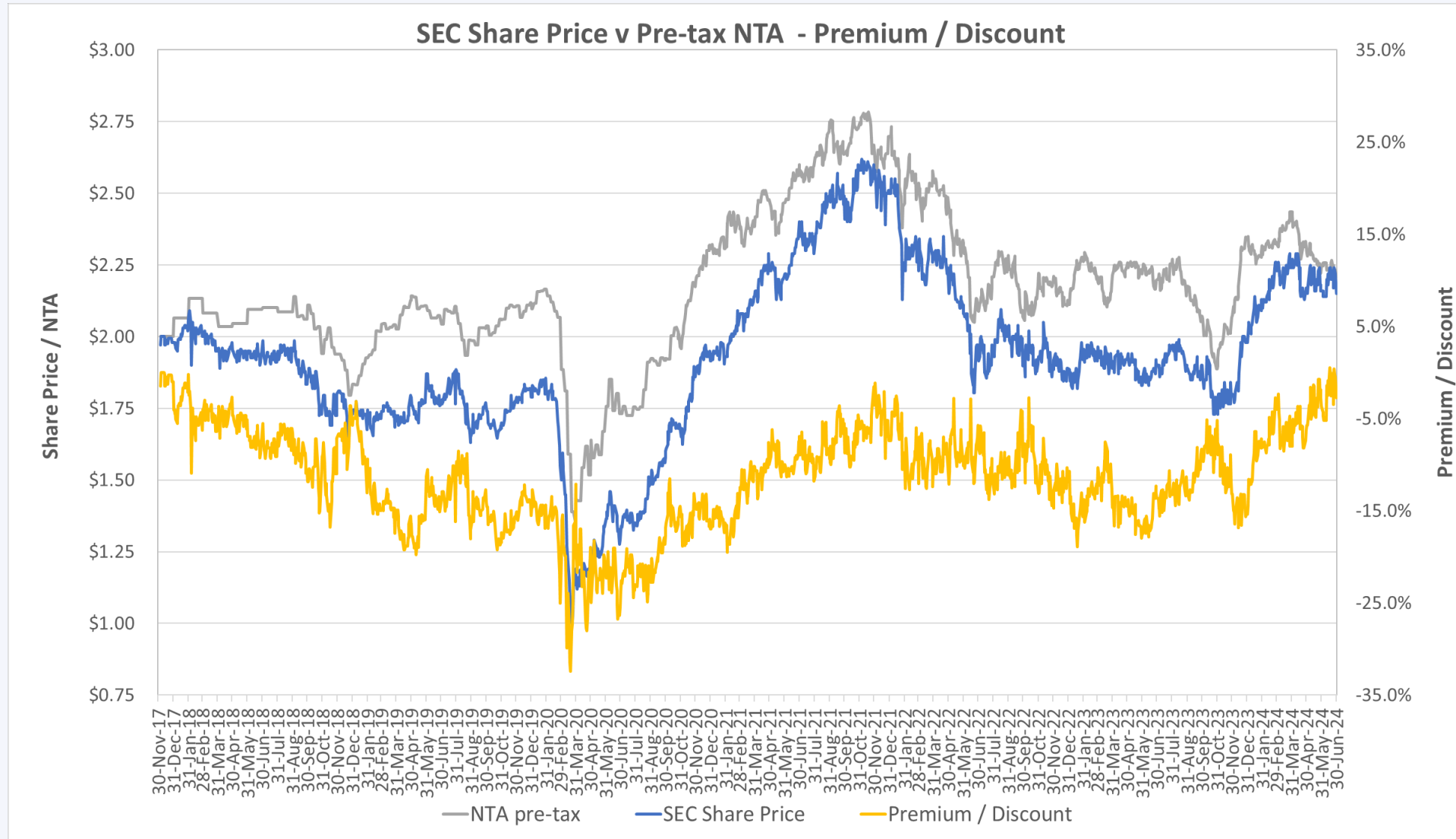
Raised the dividend target to 6.0% p.a. (excl. franking) paid at a quarterly rate of 1.5% of post-tax NTA





# Significant improvement in the NTA Discount

Higher dividends and Conditional Proposal help tighten the NTA discount



Source: Spheria Emerging Companies, as at 30 June 2024

# SEC Portfolio Update

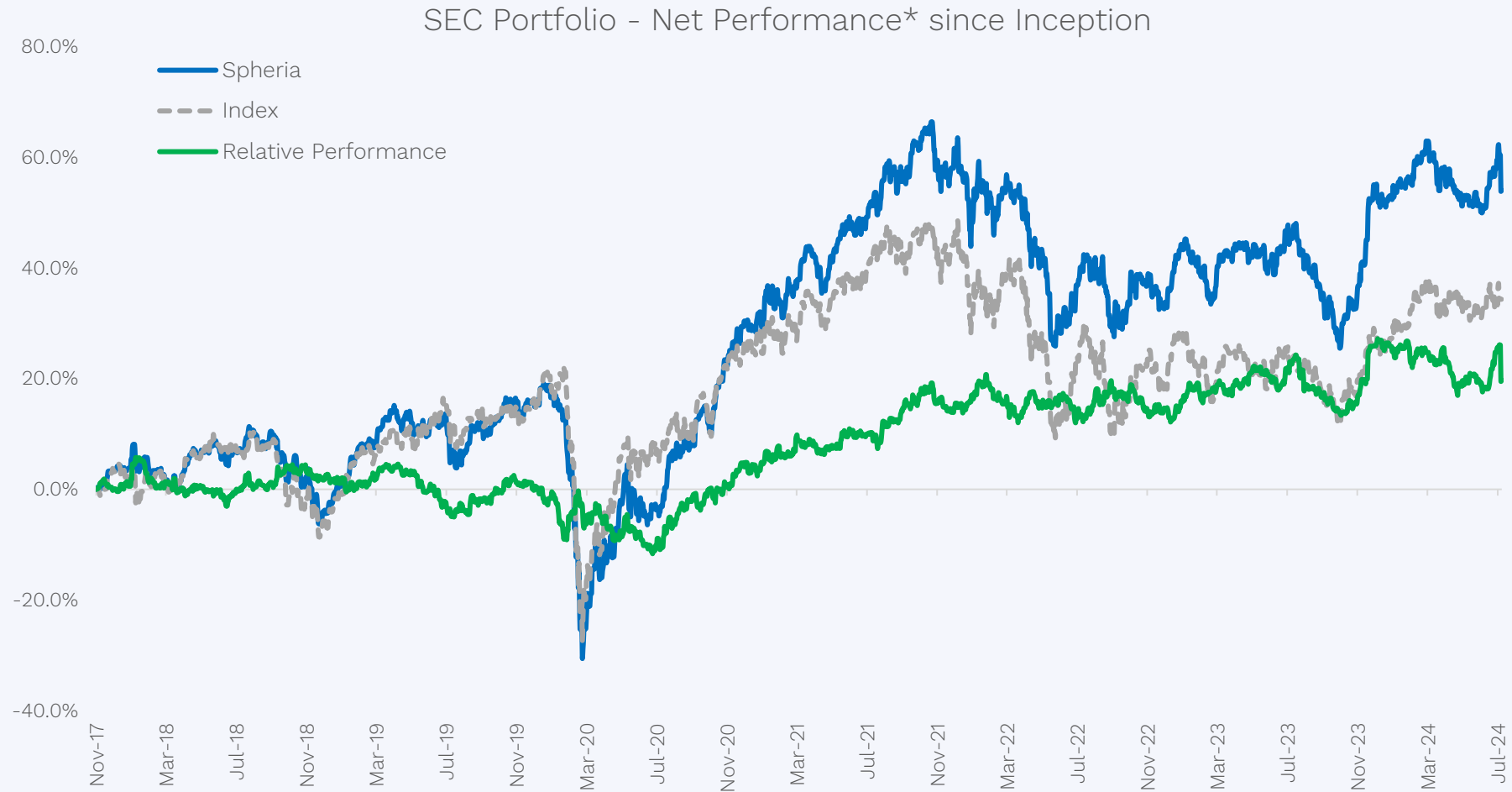
# Spheria Asset Management Investment Process

How our investment process is different

- 1. Focus on quality businesses with risk control overlay**
  - Sustainable free cash flow generation through the cycle
- 2. Fundamental investment focus**
  - Free cash flow valuation model
  - Lowly geared balance sheets (ideally)
  - Discount to valuation
- 3. Keep an open mind (facts change)**
  - Inflection points, changes in management/strategy, shifts in industry structure
- 4. Market under researched and inefficient outside of larger companies**

# SEC Portfolio Performance

Strong relative performance in the last two years

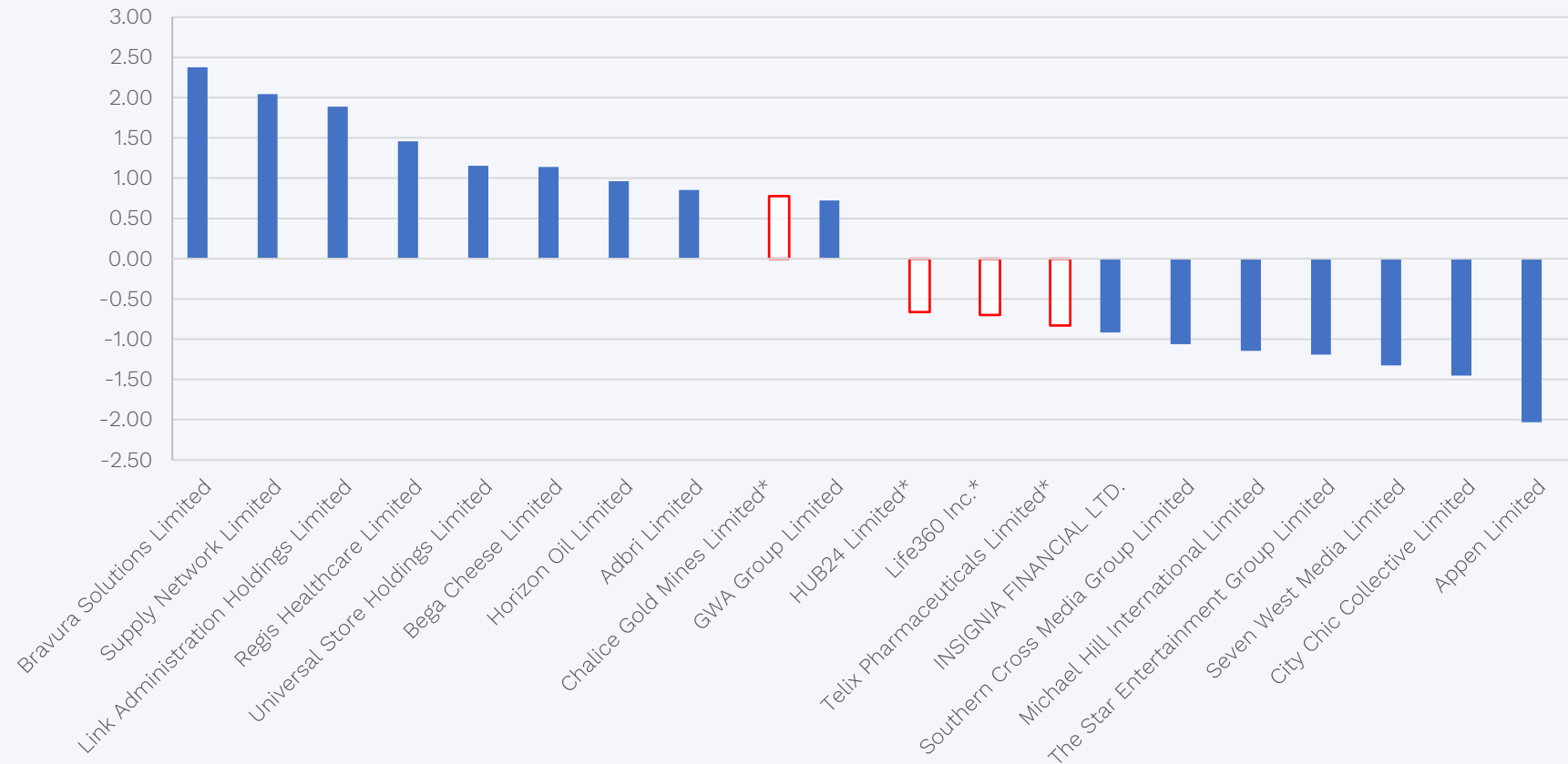


\* Net Portfolio performance - investment performance of mandate after investment management fees but before taxes.

Source: Spheria Asset Management to 31<sup>st</sup> July 2024

# Stock Attribution – Top 10 and Bottom 10

Spheria Emerging Companies - Attribution - 12 Month - July 2024

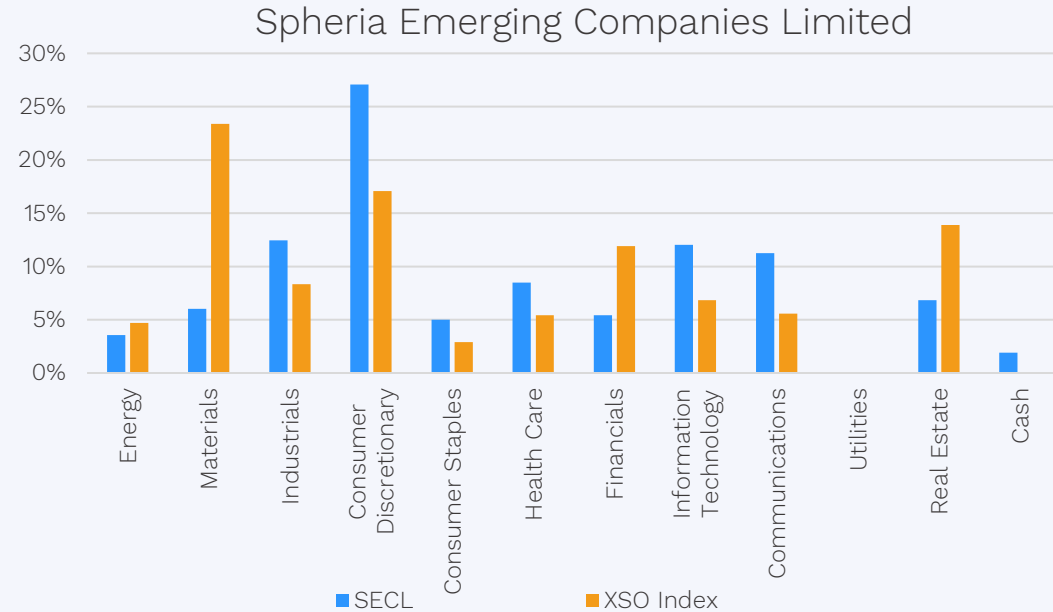


\* Red Outline – companies we did not hold during the period

Source : Bloomberg Data as at 31<sup>st</sup> July 2024

# Top 10 Holdings & Sector Exposure

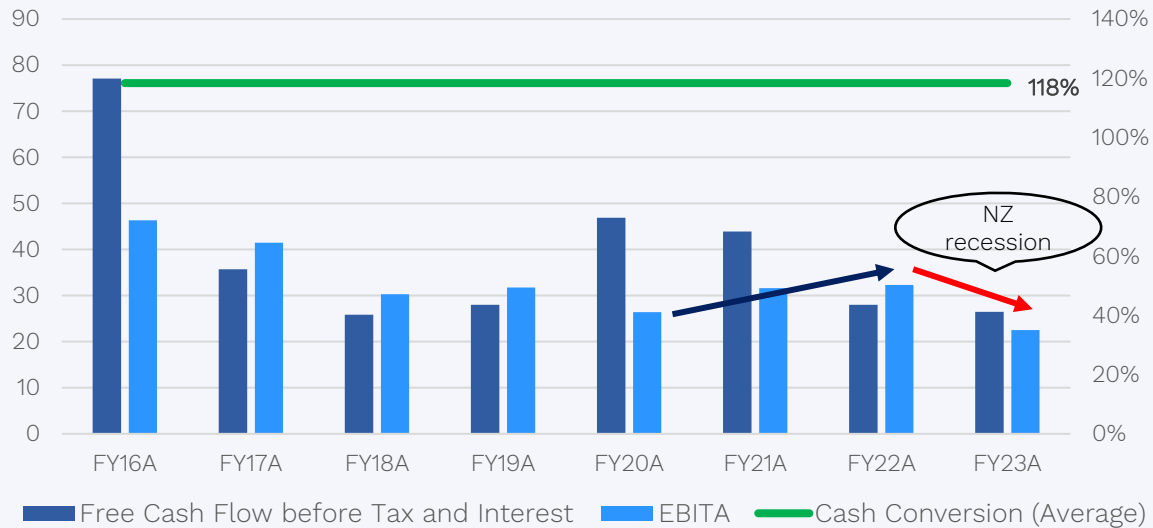
Spheria Emerging Companies Limited		
Ticker	Company Name	% Portfolio
IRE	IRESS Limited	4.9
HLS	Healius	4.6
BGA	Bega Cheese Ltd	4.4
SNL	Supply Network	4.4
SGR	The Star Ent Grp	3.7
MFG	Magellan Fin Grp Ltd	3.6
DRR	Deterra	3.0
BRG	Breville Group Ltd	2.8
GWA	GWA Group Ltd	2.8
FBU	Fletcher Building	2.8
<b>Top 10</b>		<b>36.9</b>



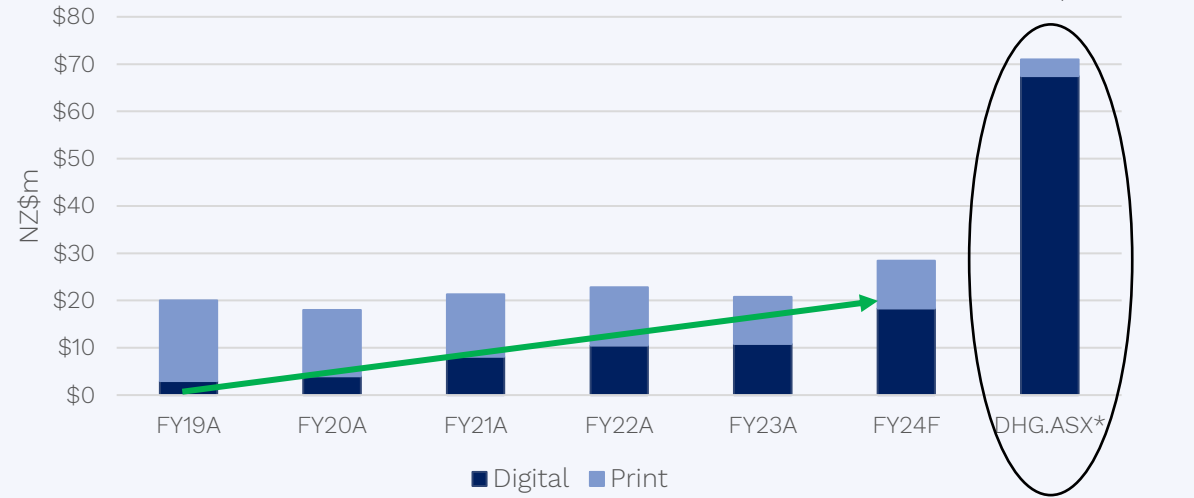
Source: IRESS, as at 31<sup>st</sup> July 2024.. Companies mentioned on this slide are illustrative only and not a recommendation to buy or sell any particular security

## OneRoof could be worth more than the entire market value of NZME!

Cash Flow Conversion (EBITA)



OneRoof Revenue vs Domain adjusted for population/currency

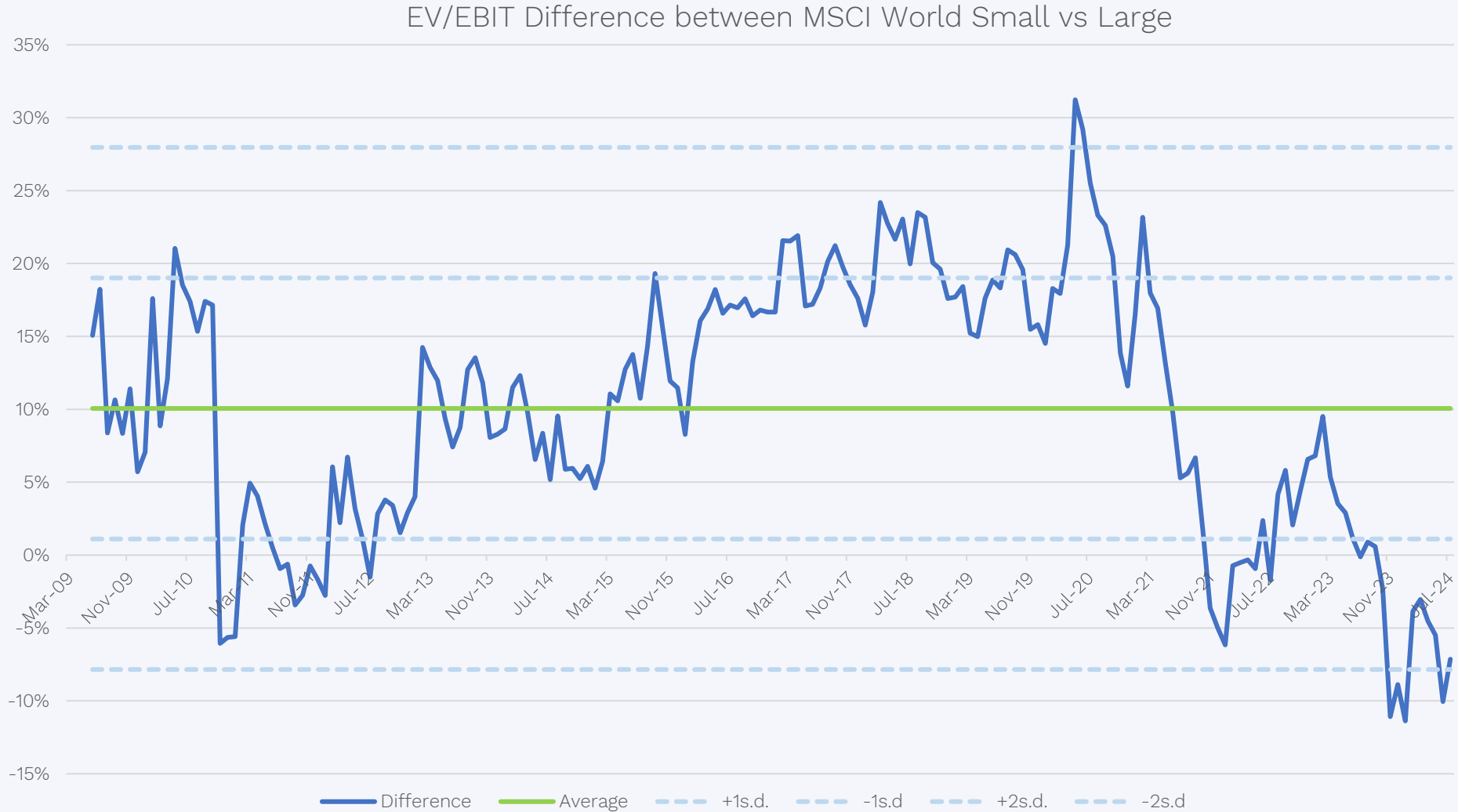


- NZME #1 in audio, #1 newspaper and #2 digital property platform in New Zealand
- Transformation away from print to digital (now approximately 30% of group revenue)
- Digital property platform (OneRoof) now outright 2<sup>nd</sup> on all key metrics behind TradeMe
- OneRoof generated a profit for the first time in Q423, with digital revenue +69% for the 1Q24.
- NZ recession has created a unique buying opportunity!

Source: Morningstar, IRESS, Spheria \*Domain FY24F property classified related revenues adjusted for population and currency. Companies mentioned on this slide are illustrative only and not a recommendation to buy or sell any particular security

# Very attractive entry point

Global Smalls are very cheap in a historical context vs large caps



Source: Bloomberg, to 31<sup>st</sup> July 2024. Cumulative performance.



# Key Themes

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- Australia appears to have entered a recession-like environment
- Central Banks have started to cut rates (New Zealand, Canada, Switzerland, Eurozone)
- Investors have deserted earnings risk leaving some sectors looking *undervalued on LT basis*
- Short term earnings risk remains, however, resumption of M&A activity seems likely
- Conclusion – one of the better LT entry points into smaller caps vs. large caps we have seen for some time.

Questions