

Spheria Emerging Companies Limited

ACN 621 402 588



# Spheria Emerging Companies Limited

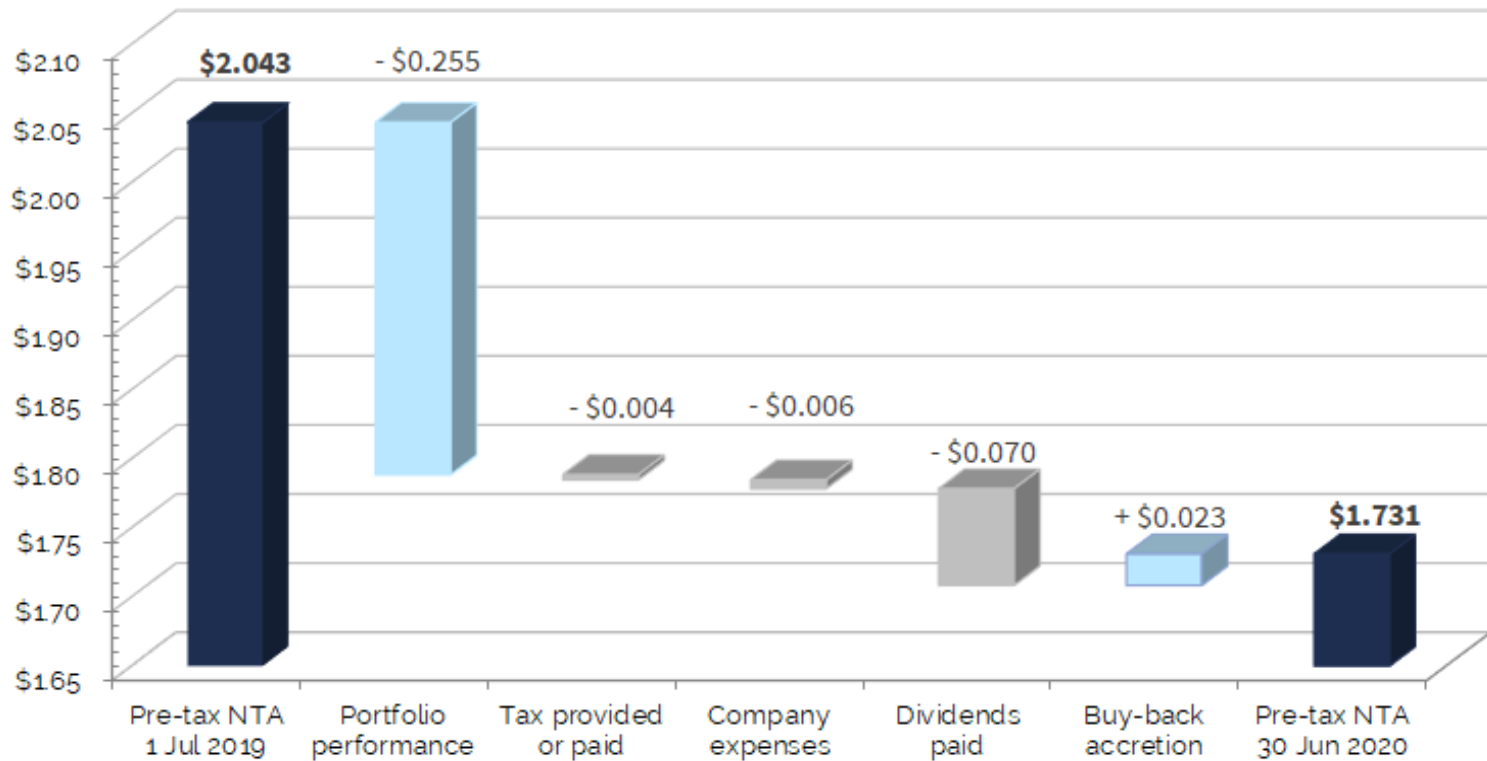
ASX: SEC

FY2020 Results & Portfolio Update

# Agenda

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

# NTA breakdown for FY2020

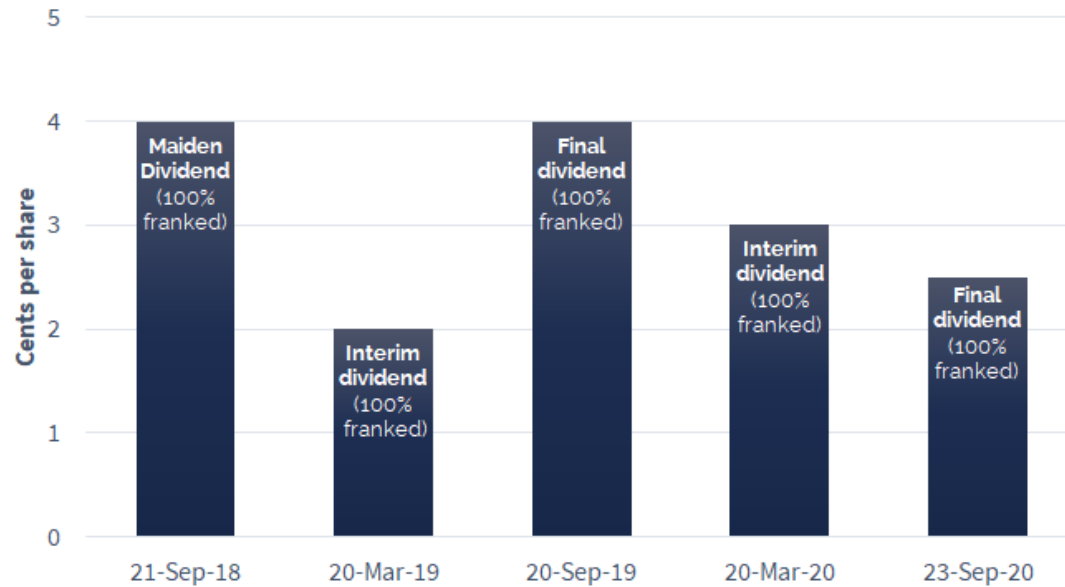


Source: Spheria Emerging Companies

# Dividends

Final dividend of 2.5 cents per share

## Dividend History



## FY2020 Final Dividend

Amount	2.5 cents per share
Ex-dividend Date	8 Sept 2020
Dividend Record Date	9 Sept 2020
Dividend Payment Date	23 Sept 2020

Source: Spheria Emerging Companies

# Initiatives to close the discount to NTA

The Board acknowledges the current discount to NTA and is concerned about this unsatisfactory position and remains committed to addressing the discount to NTA.

<b>On-market share buy-back</b>	<ul style="list-style-type: none"> <li>• Already executed \$7.5m (7.5% of total shares in issue) since 1 July 2019. Increased buyback to 10% of shares (a further \$2.3m)</li> <li>• Buy-back has been <b>accretive to NTA</b>, adding approx. \$0.03 per share to the NTA by buying shares at a discount to NTA. Further accretion expected from expanded buyback.</li> </ul>
<b>Improve scale</b>	<ul style="list-style-type: none"> <li>• Company has considered but determined not to undertake acquisitions to <b>improve scale</b></li> </ul>
<b>Shareholder engagement</b>	<ul style="list-style-type: none"> <li>• <b>Investor communication</b> – more regular insights and updates by the Manager and Company updates by the Board</li> <li>• <b>Transparency</b> - Moved to daily NTA in May 2020, one of only a handful ASX LICs to do so</li> </ul>
<b>Other initiatives</b>	<ul style="list-style-type: none"> <li>• <b>Convert to an open-ended trust.</b> Considered but not supportive</li> <li>• <b>Other global best practice initiatives.</b> Continually exploring</li> </ul>

# Performance History

## SEC Portfolio performance

<i>Net Portfolio Performance as at 31st Aug 2020</i>							
Period	1 month	3 month	6 month	1 year	2 year (pa)	Since Inception (pa)	Inception Date
SEC Mandate	10.9%	9.8%	3.5%	-0.3%	-1.7%	2.2%	30/11/2017
S&P/ASX Small Ordinaries Accumulation Index	7.2%	6.6%	4.6%	2.1%	1.5%	4.4%	
Outperformance	3.7%	3.2%	-1.1%	-2.4%	-3.2%	-2.2%	

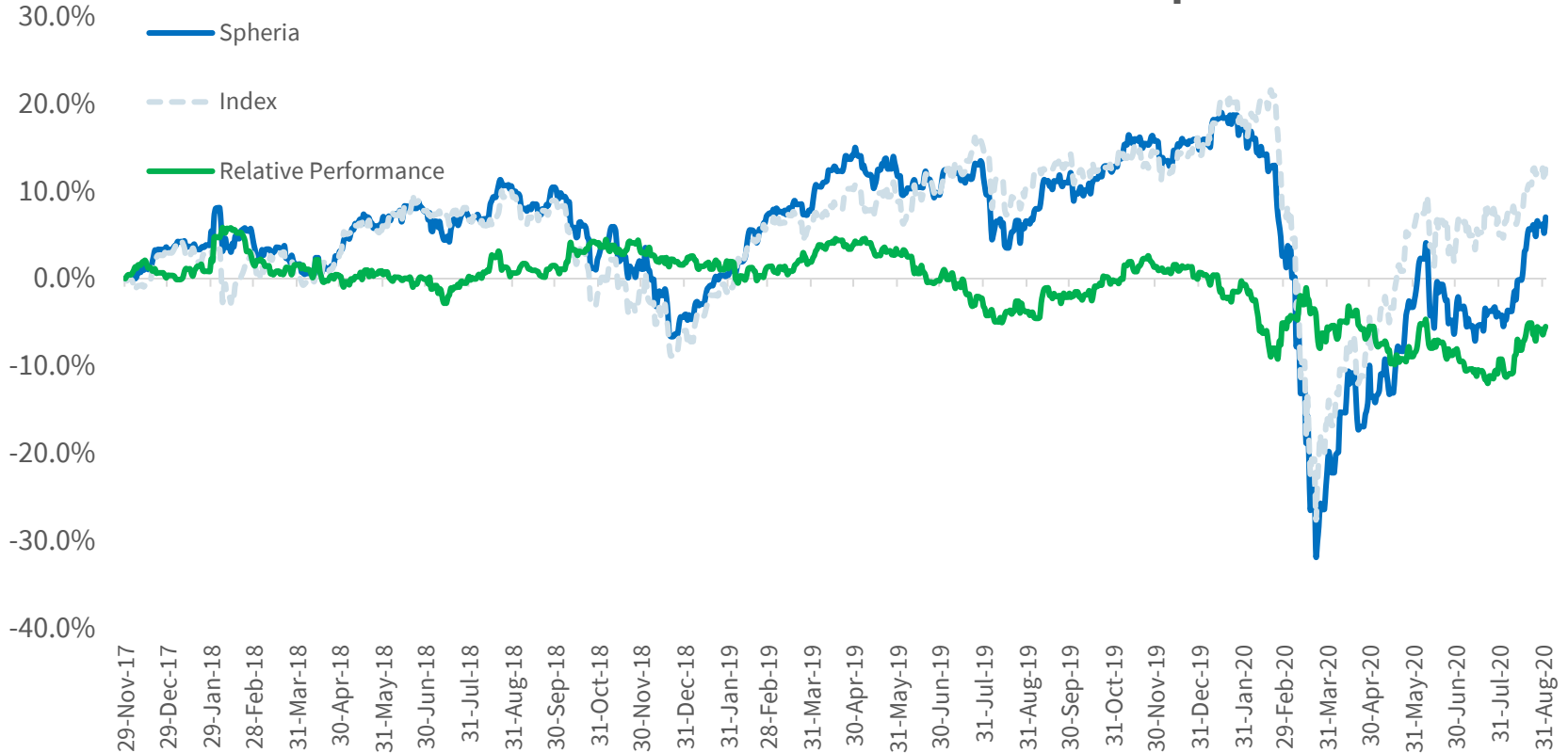
## SEC NTA performance

<i>SEC Limited Performance as at 31st Aug 2020</i>							
Period	1 month	3 month	6 month	1 year	2 year (pa)	Since Inception (pa)	Inception Date
Company's Performance	10.0%	9.3%	3.7%	0.4%	-2.0%	1.0%	30/11/2017
Benchmark	7.2%	6.6%	4.6%	2.1%	1.5%	4.4%	

Net portfolio performance are net of management fees. Company's performance is calculated as movement in Company's pre-tax NTA, which includes tax on realised gains/losses and other earnings, but excludes any provisions for tax on unrealised gains/losses, adjusted for dividends paid by the Company. The Benchmark is pre-tax, S&P/ASX Small Ordinaries Accumulation Index

# SEC Portfolio Performance

## SEC Portfolio - Net Performance\* since Inception



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

Source: Spheria Asset Management



# Rise of expensive Small Caps

No. of stocks with EV/ Sales > 10x



- EV/ Sales > 10 is expensive in historical context.
- Resource stocks, BNPL wannabes and high revenue growth micro caps have driven this potential bubble in smaller companies

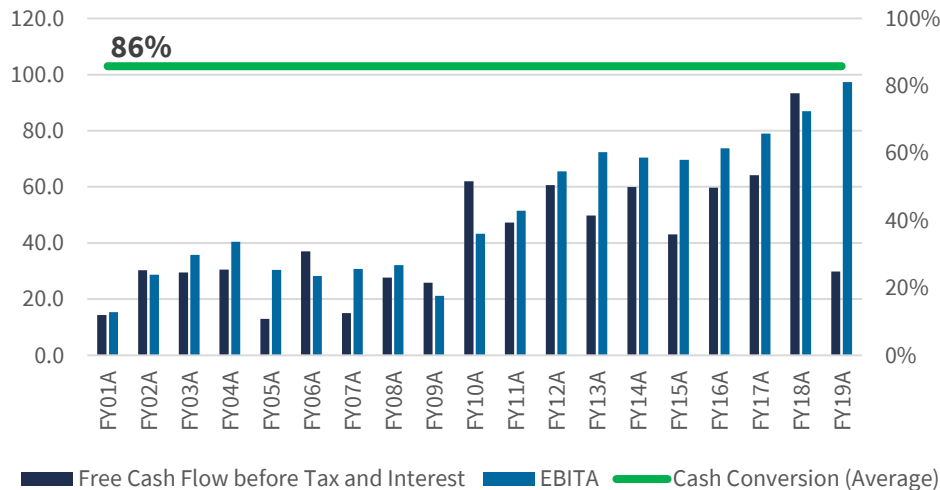
Chart Source: Bloomberg Data, ASX stocks with market cap > \$50m and EV/ Trailing Sales multiple over 10x



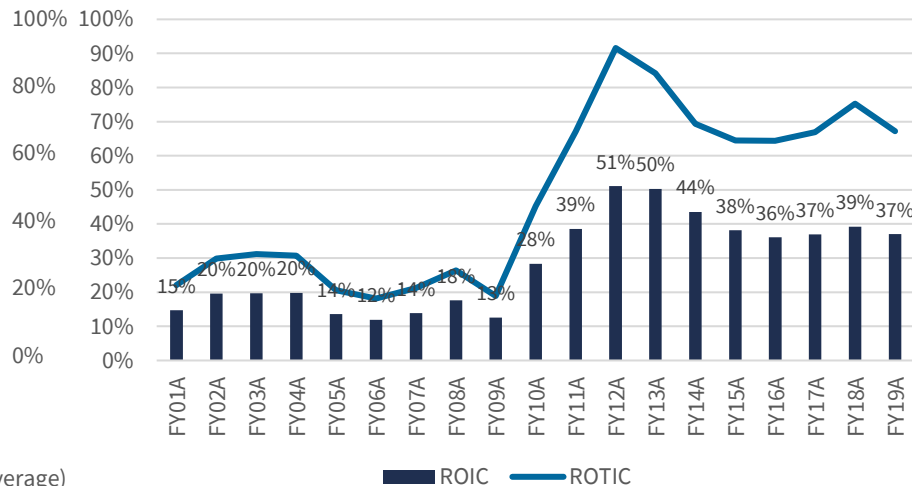
# Breville Group

ASX: BRG

## Cash Flow Dynamics



## Return Metrics



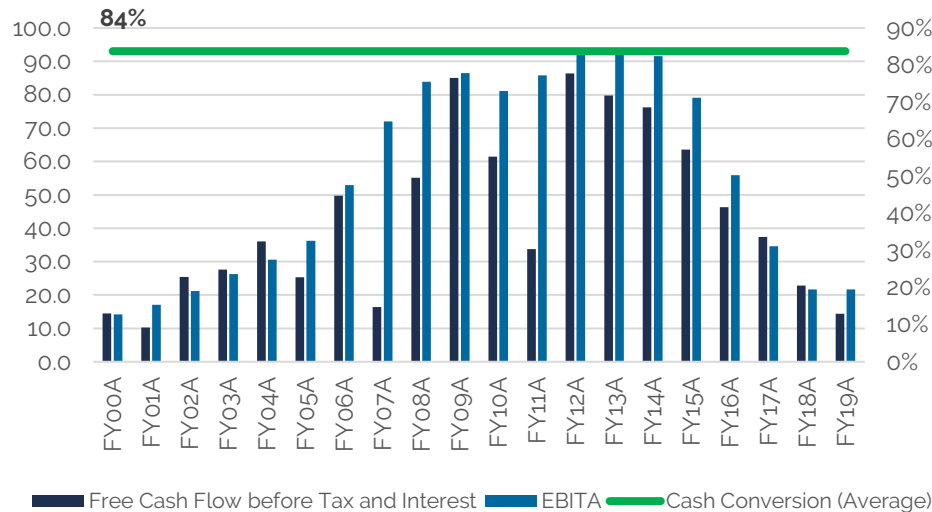
Source: Morningstar, Spheria.

- An innovation led global player in the premium small domestic appliance space through the Breville (Australasia, North America, ROW) and Sage brands (Europe and Middle East)
- Solid history of earnings growth with good cash conversion and high ROIC
- Increasing R&D and marketing investment seeing accelerating top line growth from SKU and geographical expansion

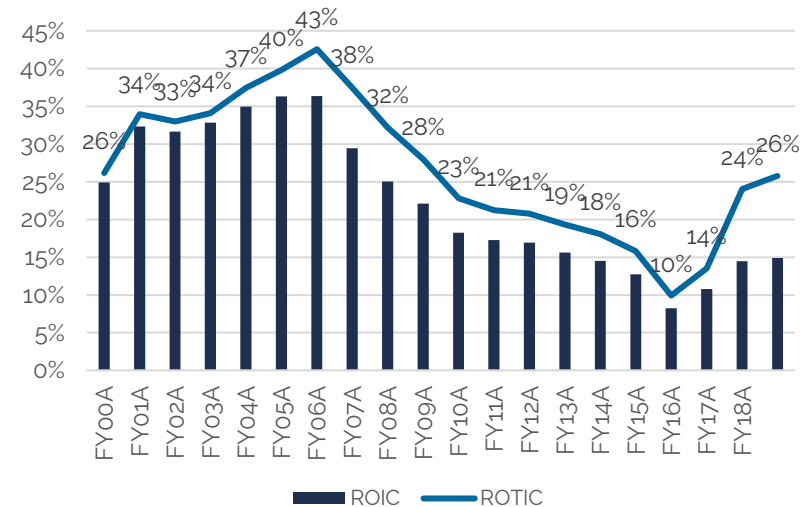
# A2B (Formerly Cabcharge)

ASX: A2B

## Cash Flow Dynamics



## Return Metrics



- A2B undergoing a transformation to a technology led payments provider whilst increasing share in Australian cab industry
- Balance sheet net cash (+\$24m), head office sits on substantial land value in Alexandria whilst generating ~\$20m of free cash pa in a normal environment
- Market cap just over \$100m for context

Source: Morningstar, IRESS, Spheria.

# Company Positions

## Spheria Emerging Companies as at 31 August 2020

Ticker	Name	% Portfolio
CL1	Class Limited	5.2%
CCX	City Chic Collective	4.0%
BRG	Breville Group Ltd	3.9%
HT1	Ht&E Limited	3.9%
CTD	Corp Travel Limited	3.6%
SGM	Sims Limited	3.3%
HLS	Healius	3.3%
ABC	Adbri Limited	3.3%
BGA	Bega Cheese Ltd	3.3%
AHY	Asaleo Care Limited	3.3%
<b>Top 10</b>		<b>37.0%</b>

Source: IRESS

A photograph of the Aurora Borealis (Northern Lights) over a lake at night. The sky is dark blue and black, filled with stars. The aurora appears as vibrant green and purple curtains of light. The horizon shows a dark landscape with some lights and a body of water in the foreground.

# Questions

# Disclaimer

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