

# Spheria Emerging Companies Limited (ASX:SEC)

FY22 Results & Portfolio Update

24 August 2022

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

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# Agenda

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

# SEC Company Update

# FY2022 Highlights

Portfolio outperformance of 5.5%; 7.1% yield (incl franking)

FY22 Loss	Company performance <sup>1</sup>	Dividends <sup>2</sup>	Yield	Yield (including franking)
<b>(\$13.4m)</b>	<b>-14.3%</b>	<b>9.8c</b>	<b>5.0%<sup>3</sup></b>	<b>7.1%<sup>4</sup></b>

- FY22 net loss after tax of \$13.4m
- Company performance of -14.3%, Portfolio outperformance compared to benchmark of +5.5%
- Four consecutive quarterly dividends declared for the year totalling 9.8 cents per share (fully franked)<sup>2</sup>
- Trailing dividend yield equal to 5.0%<sup>3</sup> (7.1%<sup>4</sup> including franking)
- Dividend Reinvestment Plan (DRP) commenced upon payment of March 2022 quarterly dividend

<sup>1</sup> 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.

<sup>2</sup> Comprising September 21 quarter dividend of 2.5 cents (paid 29 October 2021), December 21 quarter dividend of 2.6 cents (paid 31 January 2021), March 22 quarter dividend of 2.5 cents (paid 6 May 2022), and June 22 quarter dividend of 2.2 cents (paid 29 July 2022).

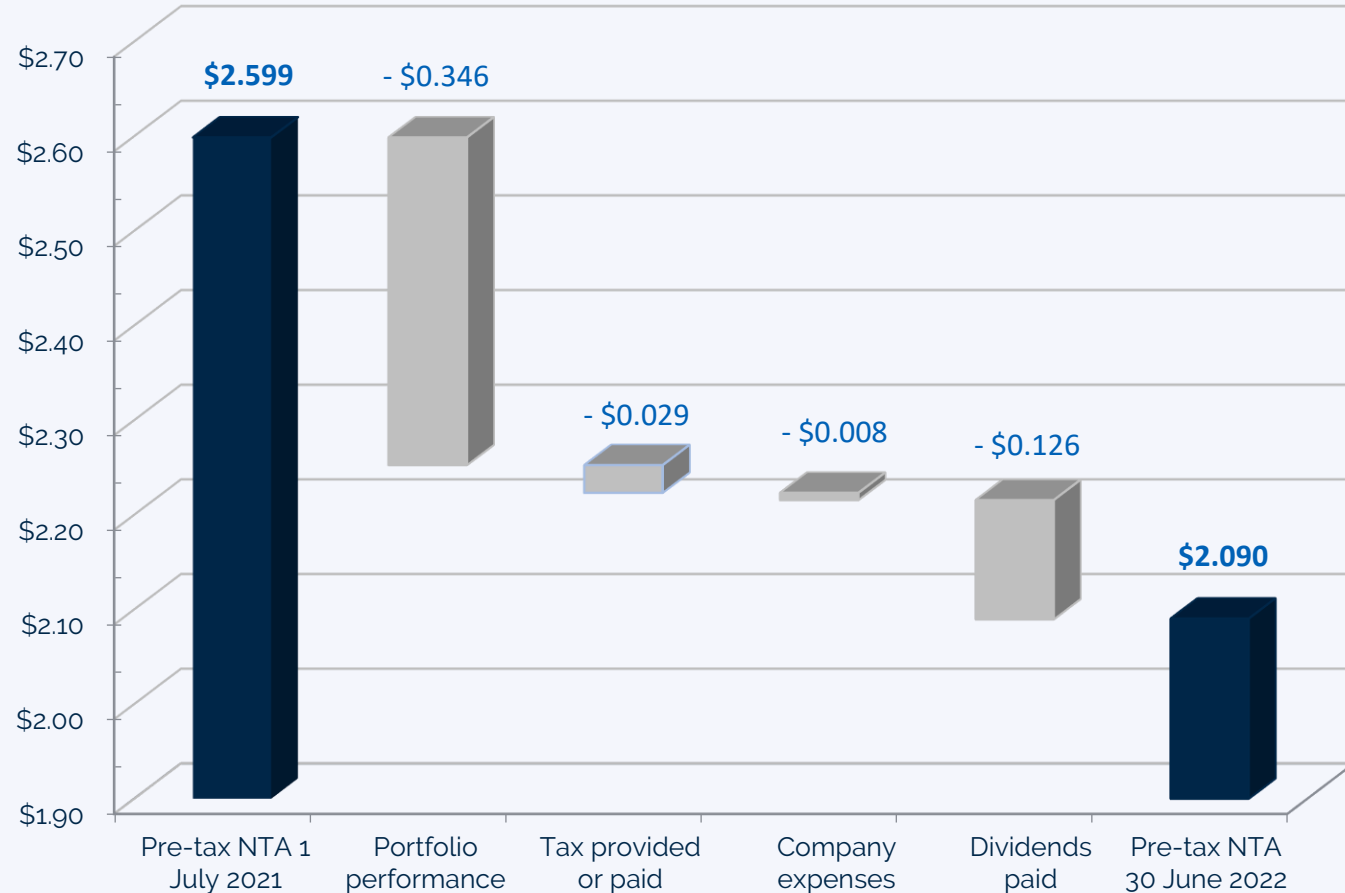
<sup>3</sup> Trailing dividend yield based on total quarterly dividends for FY22 of 9.8 cents, calculated on share price as at 30 June 2022 of \$1.97.

<sup>4</sup> Trailing dividend yield including franking credits based on total quarterly dividends for FY22 of 9.8 cents, calculated on share price as at 30 June 2022 of \$1.97, using 30% tax rate.

# NTA breakdown for FY22

Market fall and dividends paid leads to reduction in NTA per share

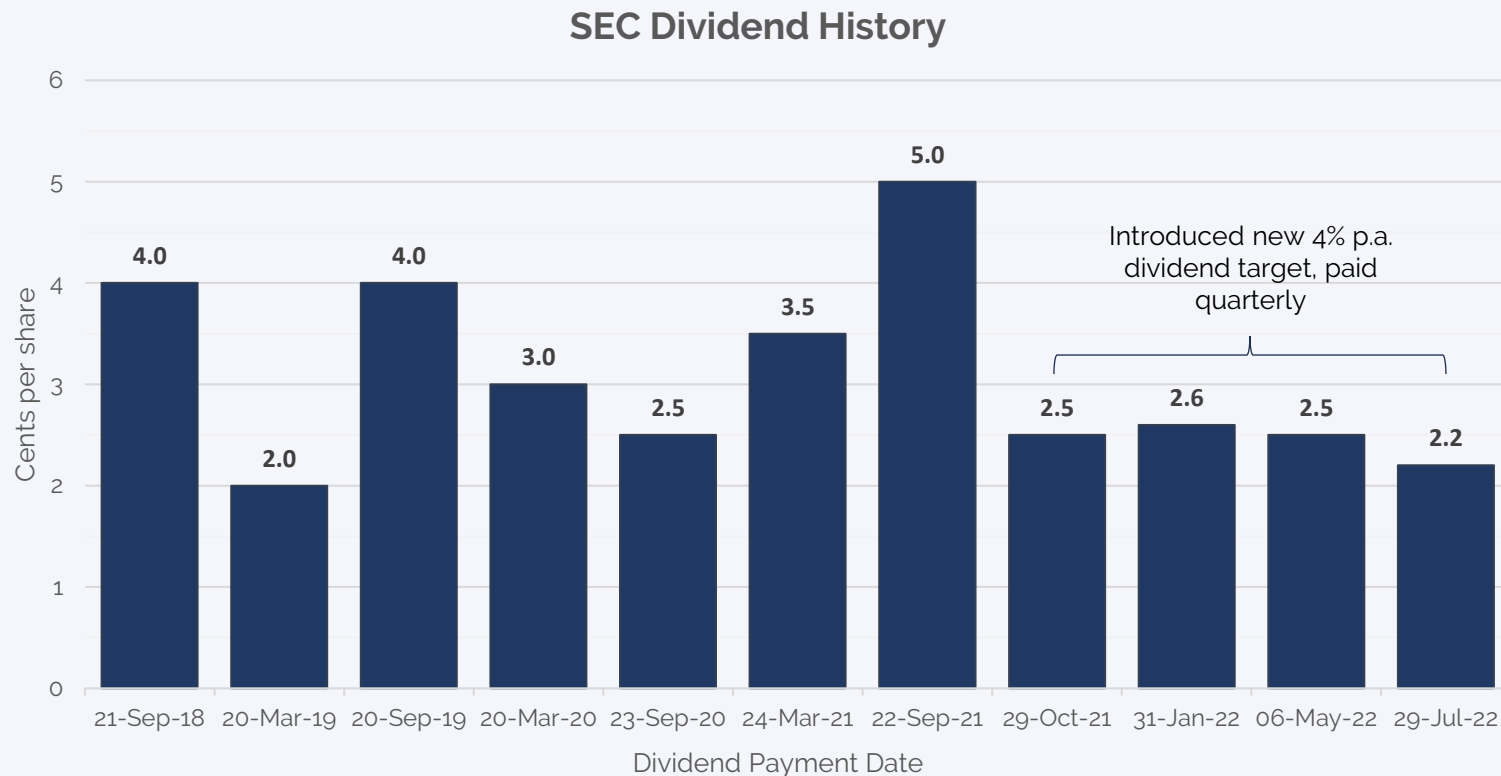
- The S&P/ASX Small Ordinaries Accumulation Index (Benchmark) fell 19.5% over the 12-month period
- Pre-tax NTA back up at \$2.30 as at 17 August 2022



# Dividends

## Delivering on the 4% p.a. commitment

- Four consecutive quarterly dividends declared for the year totalling 9.8 cents per share (fully franked), with a trailing dividend yield equal to 5.0%<sup>3</sup> (7.1%<sup>4</sup> including franking)
- Total dividends since IPO of 33.8 cents per share (16.9% of the \$2.00 IPO price)



<sup>3</sup> Trailing dividend yield based on total quarterly dividends for FY22 of 9.8 cents, calculated on share price as at 30 June 2022 of \$1.97.

<sup>4</sup> Trailing dividend yield including franking credits based on total quarterly dividends for FY22 of 9.8 cents, calculated on share price as at 30 June 2022 of \$1.97, using 30% tax rate.

# Performance History

Since inception Company outperformance of 2.8% p.a.

## SEC Company performance

<b>Performance as at 30th June 2022</b>					
<b>Period</b>	<b>6 month</b>	<b>1 year</b>	<b>3 year (pa)</b>	<b>Since Inception (pa)</b>	<b>Inception Date</b>
Company	-20.7%	-14.3%	5.0%	5.2%	30/11/2017
S&P/ASX Small Ordinaries Accumulation Index	-23.7%	-19.5%	0.4%	2.4%	
Outperformance	3.0%	5.2%	4.6%	2.8%	

*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 Update

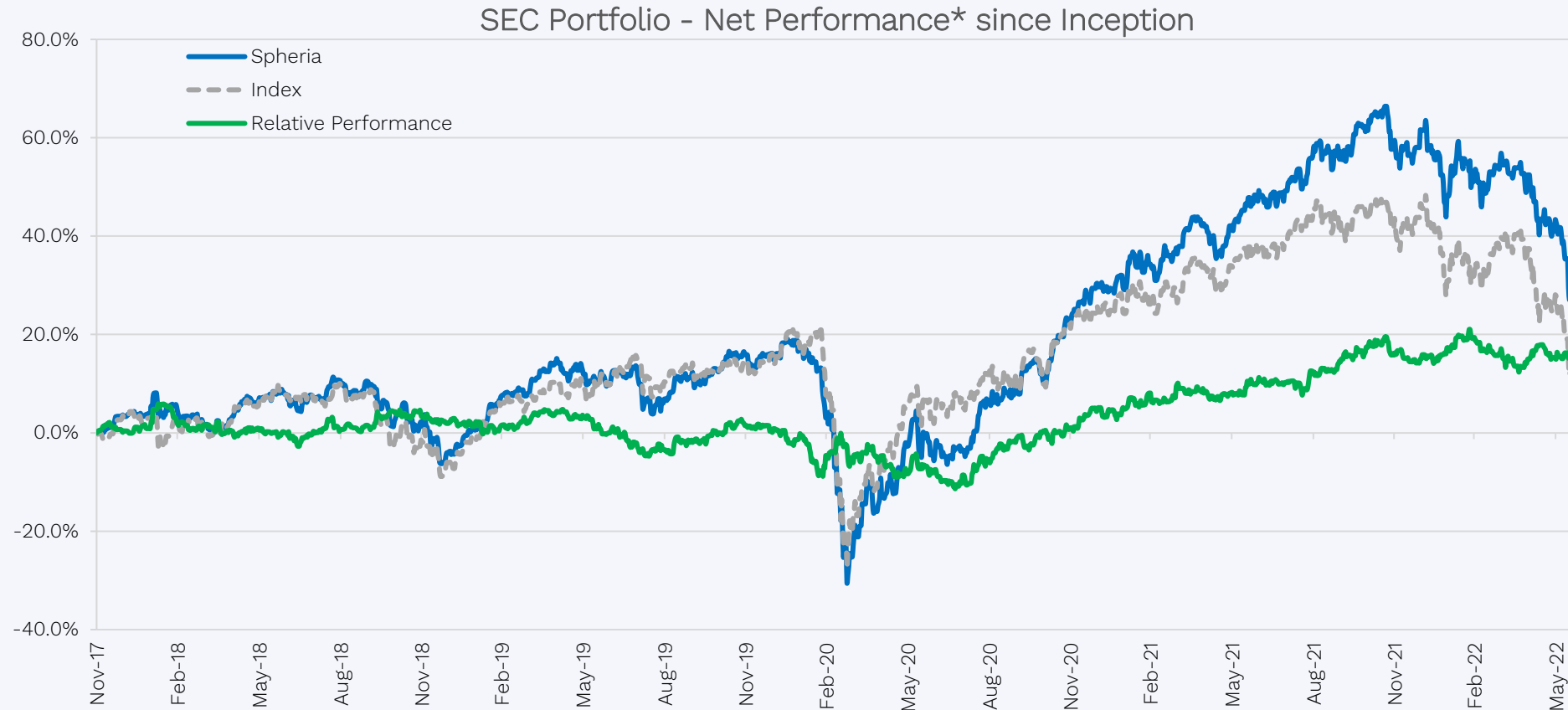
# Spheria Asset Management Investment Process

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

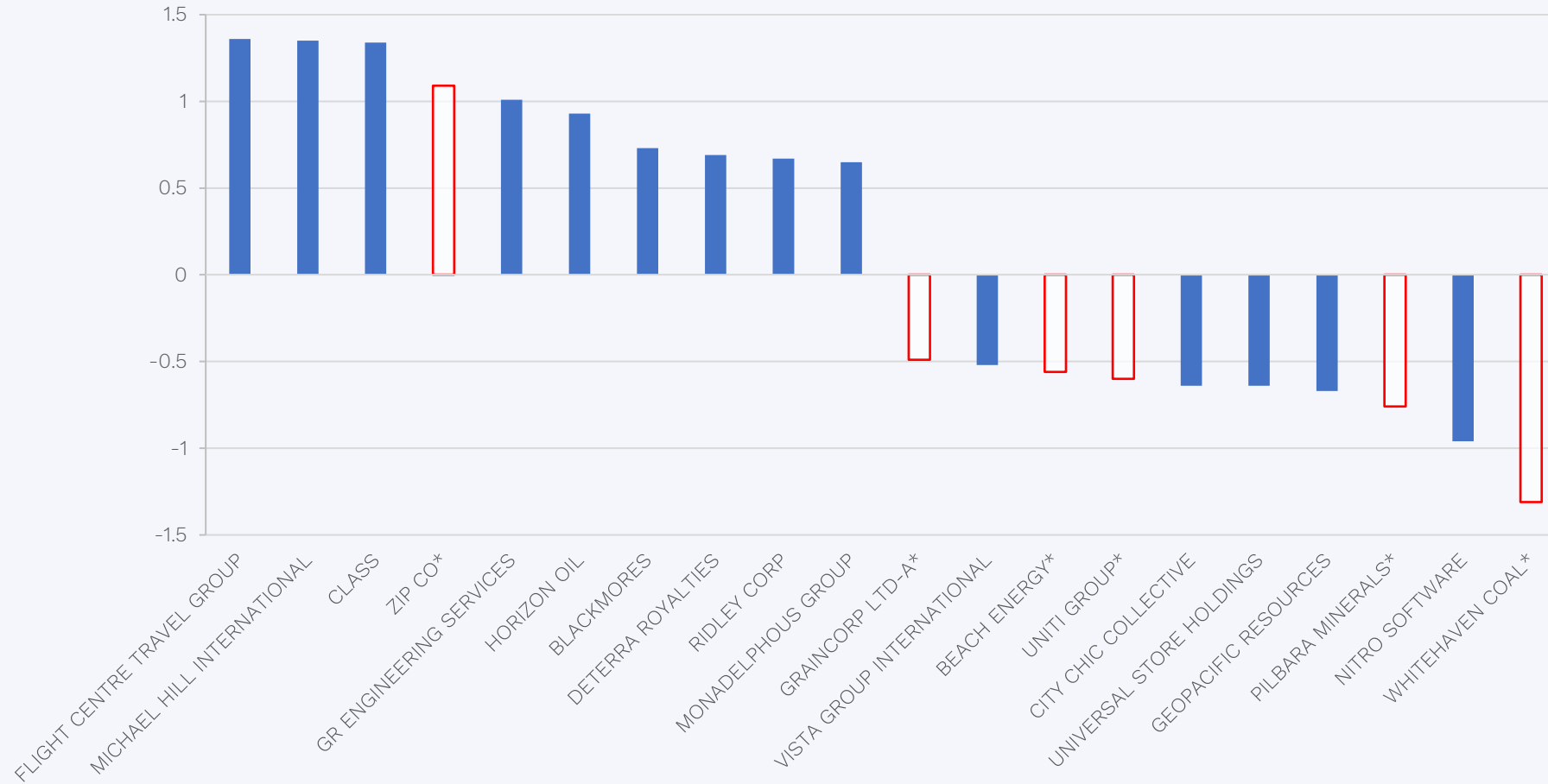


\* Net Portfolio performance = investment performance of mandate after investment management fees but before taxes.

Source: Spheria Asset Management to 30 June 2022

# SEC Portfolio - stock attribution FY22

Spheria Emerging Companies - Attribution - 12 Month - June 2022



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

Source : Bloomberg Data as at June 30 2022

# Top 10 Company Holdings

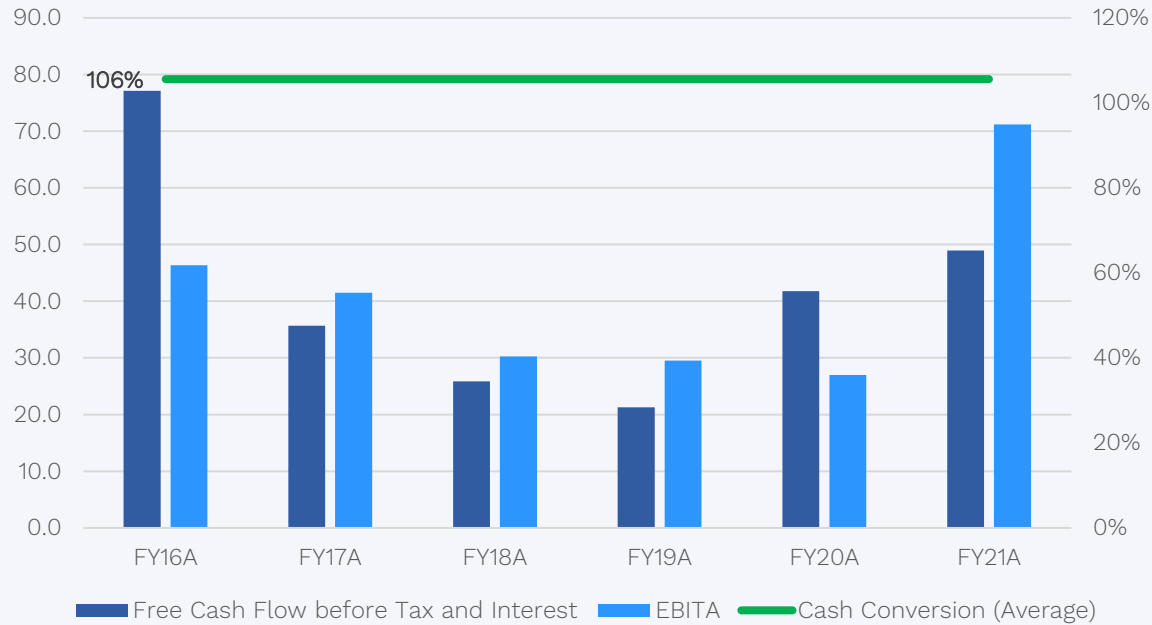
## Spheria Emerging Companies as at 30<sup>th</sup> June 2022

Company Name	% Portfolio
Blackmores Limited	6.0
InvoCare Limited	5.2
Flight Centre Travel	5.1
IRESS Limited	5.1
Michael Hill Int	4.3
Monadelphous Group	4.3
Breville Group Ltd	3.3
Adbri Limited	3.2
Vista Group Int Ltd	3.2
Deterra	3.1
	<b>42.8</b>

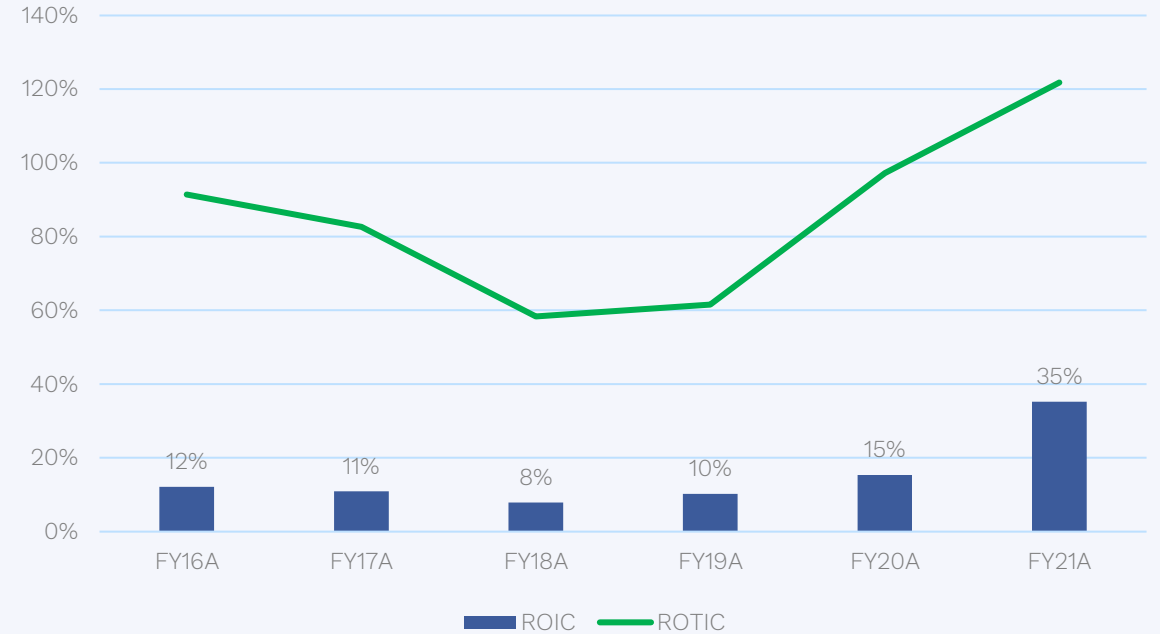
Source: IRESS

An old school media company, turning digital

### Cash Flow Dynamics



### Return Metrics



- NZME is the #1 masthead, #1 audio business and #2 property digital platform in NZ
- Transformation to a market leading digital “growth” business well underway
- Company has no debt and trades on 5x pre-tax free cash flow

# Outlook

- Broad based share price declines provide significant opportunity for “through the cycle” valuation led investors.
- The growth-momentum narrative has collapsed with fundamental valuation metrics and free cash flow generation now paramount.
- Balance sheets for our portfolio holdings are in “rude health”, a downturn will clean out weaker competitors.
- Operating leverage and cost inflation are key earnings risks but are well and truly priced in given significant de-ratings.

Questions