

# INVESTMENT UPDATE AND NTA REPORT JUNE 2022



## PORTFOLIO SNAPSHOT: NET TANGIBLE ASSET BACKING PER SHARE (NTA)

NTA Current Month	Before Tax <sup>1</sup>	After Tax <sup>1</sup>
30-Jun-22	66.3 cents	65.5 cents
NTA Previous Month	Before Tax <sup>1</sup>	After Tax <sup>1</sup>
31-May-22	71.1 cents	69.2 cents

<sup>1</sup> Figures are unaudited and approximate.

## KEY ASX INFORMATION (AS AT 30 JUNE 2022)

ASX Code	TOP
Structure	Listed Investment Company
Inception date	January 2014
Market Capitalisation	\$91.5 million
Share Price	47.0 cents
Shares on Issue	195,084,757
Dividends	Half yearly
Management Fee	0.75% half yearly
Manager	Thorney Investment Group

## INVESTMENT PERFORMANCE\*

As at 30 June 2022	3 Months	6 Months	1 Year	Since Inception
TOP investment portfolio	-13.03%	-9.22%	-4.68%	7.57%
S&P Small Ordinaries Accum. Index	-20.39%	-23.75%	-19.52%	7.10%
Performance versus Index	7.36%	14.53%	14.84%	0.47%

\* Investment performance is calculated on a pre-tax NTA plus dividends basis.

## TOP SECURITIES

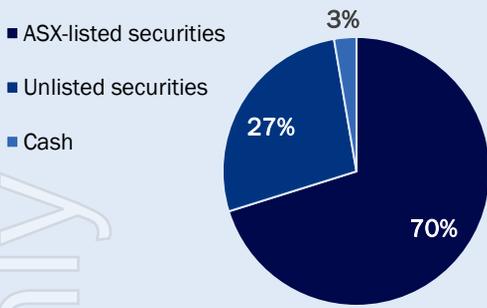
Rank	Company	% of Portfolio
1	20 Cashews Pty Ltd (ACM)*	27.0
2	MMA Offshore	13.0
3	Money3 Corporation	12.1
4	Austin Engineering	8.9
5	Southern Cross Electrical Engineering	6.9
6	Consolidated Operations Group	5.4
7	Service Stream	4.8
8	Ardent Leisure Group	4.5
9	AMA Group	2.9
10	Retail Food Group	2.8

\* TOP's investment in ACM is via its holding of 20 Cashews Pty Ltd which has an underlying investment in ACM.

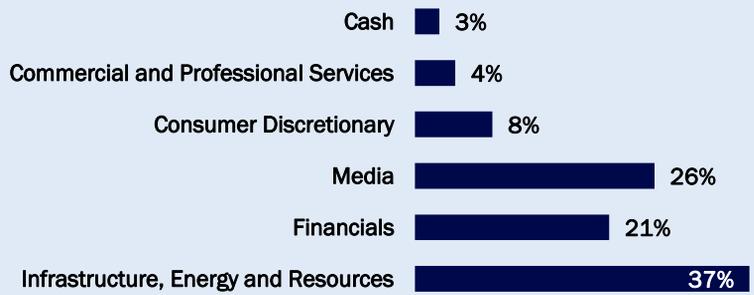
## TOP FULLY FRANKED DIVIDEND HISTORY



## ALLOCATION OF INVESTMENTS



## PORTFOLIO SECTORS



## PORTFOLIO COMMENTARY

The June NTA declined as most key holdings fell over the month amid continued weakness across equity markets due to ongoing inflationary concerns and interest rates rises in both Australia and the US.

### ARDENT LEISURE GROUP LIMITED

- Ardent Leisure Group Limited (ASX:ALG) has completed the sale of its US business, Main Event Entertainment, to Dave & Buster's Entertainment, Inc. (NASDAQ: PLAY) following shareholder approval received at an Extraordinary General Meeting held on 29 June 2022 and all remaining conditions of the transaction being satisfied.
- ALG confirmed that it will be making a significant distribution of A\$455.7m (95 cents per share) to shareholders from the net proceeds of the sale as follows:
  - a capital return of A\$221.0m (46.0699 cents per share) (Capital Return); and
  - an unfranked dividend of A\$234.7m (48.9301 cents per share) (Special Dividend)<sup>1</sup>.
- TOP Director, Dr Gary Weiss, is the Chairman of ALG and has delivered a strong return for ALG shareholders which will result in freeing up \$5.6m cash to TOP for reinvestment.

### ANGEL SEAFOOD HOLDINGS LIMITED

- Angel Seafood Holdings Limited (ASX:AS1) announced the lodgement of the Federal Court of Australia orders with the Australian Securities and Investments Commission approving the scheme of arrangement by which Valley Seas BidCo Pty Ltd and Laguna Bay Agricultural No 1 Pty Ltd will acquire all of the issued shares in AS1.
- Following the successful takeover, AS1 was suspended from quotation on the ASX on 21 June 2022.
- The takeover will result in TOP receiving \$600,000 in funds for reinvestment.

### MONEY3 CORPORATION LIMITED

- Money3 Corporation Limited (ASX:MNY) announced it has increased its funding capacity to \$665m, with a new \$64m mezzanine facility for the Money3 Warehouse provided by FCCD (Australia) Pty Limited ("Fortress").
- The Group now has over \$230m in available funds to grow its loan book well beyond \$1b.
- Its warehouse funding capacity increases to ~\$365m with the new \$64m mezzanine facility.
- MNY's new lending FY22 (YTD May 2022) of \$246m is an increase of 25% on the prior corresponding period (pcp) and the new mezzanine facility further diversifies the Group's funding base with six funding partners, which includes major international and Australian banks.
- MNY also increased the warehouse debt facility limit for its Automotive Financial Services (AFS) business by 60%, due to the rapid growth in new business lending since the acquisition.
- The AFS business was acquired in January 2021 and has since doubled its loan book to ~\$107m, and, with the newly increased debt facility, has capacity to double its loan book again and grow the Group loan book in excess of \$1b.
- In addition, MNY's new lending exceeds \$420m (YTD May 2022) approx. 31% growth over pcp, and its debt facility limit increased to \$600m, across four banks, providing a runway to in excess of \$1b of loan book, supported by MNY's strong equity base.
- MNY said it is well capitalised with a strong balance sheet and loan book quality and had cash of ~\$150m as at May 22.
- The Group's share buy back program is operating well.

## AUSTIN ENGINEERING LIMITED

- Austin Engineering Limited (ASX:ANG) reported continued strength of its order book across all its business units with the order book now sitting nearly \$50m ahead of the same time in FY21.
- ANG said this is expected to result in a circa 50% increase in 2H22 sales revenue over the first half and, despite significant COVID-19 driven issues primarily in Western Australia, has meant that the Company is able to maintain its previously stated FY22 guidance\* of:
  - NPAT increase by circa 5.5 times, to more than \$18m (FY21: \$3.3m statutory);
  - EBITDA up circa 2.4 times, to circa \$30m (FY21 \$12.7m statutory); and
  - FY22 revenue is currently projected to exceed FY21
- The Company also said it was experiencing a strong new sales pipeline seen across all home markets – Australia, Indonesia, North America and South America.
- ANG added that increased competitiveness driven by its 'Austin 2.0' strategy has resulted in higher bid win rates in all home markets and demonstrated by an increased order book.

\* See ASX Announcement dated 24 February 2022.

## DECMIL GROUP LIMITED

- Decmil Group Limited (ASX:DCG) announced it won three new contracts in Western Australia with a combined worth of more than \$100m, signifying its enhanced strategic progression into regional infrastructure and selective construction markets which are higher margin market segments of the broader construction sector.
- The Company also secured two new contracts in Victoria with a combined worth of approximately \$37m, highlighting its growing repeat revenue base with blue chip clients.
- DCG said the revenue and earnings from new contracts will be reflected in the FY23 financial results whilst the Company also retained its FY22 EBITDA guidance of between \$-15m and -\$10m, while FY22 revenue guidance was revised to be in the range of \$400m to \$425m, after the Ryan Corner and Crookwell wind farm project commencements were delayed into FY23.

## AUSTRALIAN COMMUNITY MEDIA

- ACM continues its business transformation, which includes the disposal of non-core, surplus assets, rationalising its publication portfolio and continuing to grow the digital subscriber base across its regional mastheads, which include a number of prominent agricultural publications.
- The strategic consolidation of digital real estate businesses also continues to progress positively.
- The Company is excited about the prospects for its agricultural business as it re-initiates various key events across the country, including AgQuip and FarmFest.

## RETAIL FOOD GROUP LIMITED

- Retail Food Group Limited (ASX:RFG) announced FY22 underlying EBITDA guidance of c.\$21.4 m<sup>(1)</sup> with the Company saying the estimate was significantly influenced by unavoidable COVID impacts, particularly in 1H22 and no JobKeeper payments in FY22 versus \$3.7m received in FY21.
- RFG also expects a net debt level at 30 June 2022 of c.\$22.5m.<sup>(2)</sup>
- The Company said that customer count is improving amongst its domestic network, albeit remains below pre-COVID levels<sup>(3)</sup>
- RFG's FY22 YTD same stores sales growth was up 2.2% and ATV growth was up 7.8% vs pcp<sup>(4)</sup>, reflecting a solid improvement versus 1H22 performance (-2.5% SSS & +7.4% ATV<sup>(5)</sup>).
- RFG also announced that it had extended the maturity of its existing senior debt facilities from December 2022 to 30 September 2023.
- Maturity of the Company's transactional banking facilities has also been extended to March 2023.
- RFG's senior debt facility covenants remain unchanged. The Company has debt facilities with National Australia Bank and Westpac.

1. Based on unaudited management accounts

2. Net Debt is calculated in accordance with Senior Debt Facility Agreement definition

3. Based on unaudited reported data by franchisees for weeks 1 to 26 (26 weeks, ie 1H22) versus unaudited reported data by same franchisees for weeks 27 to 50 (24 weeks, ie 1H22YTD)

4. Based on unaudited reported data by franchisees amongst stores trading a minimum 46 of 50 weeks during FY22 versus unaudited reported data reported by franchisees against same stores trading a minimum 46 of 50 weeks during FY21

5. Based on unaudited reported data by franchisees amongst stores trading a minimum 23 of 26 weeks during 1H22 vs unaudited reported data by franchisees against same stores trading a minimum 23 of 26 weeks during 1H21

## COG FINANCIAL SERVICES LIMITED

- COG Financial Services Limited (ASX:COG) released guidance for FY22, forecasting NPATA to shareholders (unaudited) of between \$22.5m and \$24.0m.

## SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED

- Southern Cross Electrical Engineering Limited (ASX:SXE) upgraded its FY22 EBITDA guidance to a record of over \$34m from its previous range of \$29m to \$33m.
- The upgrade came as the Group said it is now forecasting FY22 revenues of around \$550m with June quarter activity levels expected to exceed the record levels in March.
- SXE said that the resources sector in WA has driven a significant part of this activity, with each of its Rio Tinto Gudai-Darri, MARBL Kemerton Lithium Plant and BHP Villages Security projects having been at peak levels and are continuing to perform well.
- The Group added that the reopening of the WA borders in early March has not led to any significant COVID-related disruptions, and, in fact, the border reopening has enabled it to access further pools of labour from the East Coast.
- This WA outperformance has more than offset the subdued activity from earlier in the year in NSW and the ACT resulting from the COVID impacts on the construction industry there and which took some time to unwind.
- SXE is forecasting to end the year with over \$45.0m of cash (30 June 2021: \$51.0m) and no debt.

## MMA OFFSHORE LIMITED

- MMA Offshore Limited (ASX:MRM) announced it will acquire Subcon International Pty Ltd, for \$8.4m, comprising \$4.2m cash and \$4.2m in MRM ordinary shares, with completion expected to occur in July 2022.
- Subcon provides innovative stabilisation, coastal erosion and engineered reef solutions to the oil and gas, offshore wind, coastal infrastructure and tourism sectors.
- The acquisition is aligned with MRM's strategy, bringing a range of new environmental marine solutions within its capability and is expected to contribute positively to earnings with access to further growth opportunities under the Company's ownership.

## CHAIRMAN'S COMMENTS

Alex Waislitz said: *"The TOP investment portfolio finished the year ended 30 June 2022 down 4.68%, outperforming the S&P Small Ordinaries Index which declined 19.52%. Global markets remain in a state of volatile negativity with inflation fears and interest rate concerns continuing to worry investors and driving down the performance of portfolios around the world. At TOP we always try to anticipate and while it is very early days, we are beginning to see some initial signs that the worst of the global declines may be over. The prices of many commodities are now well off their 52-week highs and we are getting reports out of the USA that the pressure on supply chains which has contributed to the inflationary climate is beginning to ease. If these "green shoots" of economic cooling continue to emerge in coming months, it is possible that central banks will not go as hard with their tightening programs as the market currently anticipates. This would be a positive sign and could lead to a turnaround in the current negative sentiment. The TOP portfolio is very well placed to benefit from any such turnaround, and we continue to believe that our value-based investment approach will deliver strong performance for shareholders over time.*"

## INVESTMENT PHILOSOPHY

TOP undertakes thorough due diligence to identify fundamentally mispriced or undervalued companies and combine that with constructive advocacy with boards and management to implement change when required

## INVESTMENT OBJECTIVES

- Producing absolute returns for shareholders over the medium- to long-term
- Delivering a strong fully franked dividend stream to shareholders

## KEY CONTACTS

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## ABOUT THORNEY OPPORTUNITIES LTD

Thorney Opportunities Ltd (TOP) is an ASX-listed investment company that invests in listed and unlisted equities and financial assets, in a variety of sectors, including media, automotive, energy, engineering and mining services and financial services.

Our primary focus is on the careful selection of investments which enables us to be a constructive catalyst towards unlocking the value in the companies identified. TOP is managed by the privately owned Thorney Investment Group pursuant to a long-term investment management agreement.

You can invest in TOP by purchasing shares on the Australian Securities Exchange (ASX).

For more information visit: <https://thorney.com.au/thorney-opportunities/>

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