

# INVESTMENT UPDATE AND NTA REPORT JULY 2023



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

NTA Current Month	Before Tax <sup>1</sup>	After Tax <sup>1</sup>
31-Jul-23	74.3 cents	71.7 cents

NTA Previous Month	Before Tax <sup>1</sup>	After Tax <sup>1</sup>
30-Jun-23	70.9 cents	69.2 cents

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

## KEY ASX INFORMATION (AS AT 31 JULY 2023)

ASX Code	TOP
Structure	Listed Investment Company
Inception date	January 2014
Market Capitalisation	\$94.9 million
Share Price	50.0 cents
Shares on Issue	189,874,778
Dividends	Half yearly
Management Fee	0.75% half yearly
Performance Fee	20% of net NTA increase over pcp
Manager	Thorney Investment Group

## INVESTMENT PERFORMANCE\*

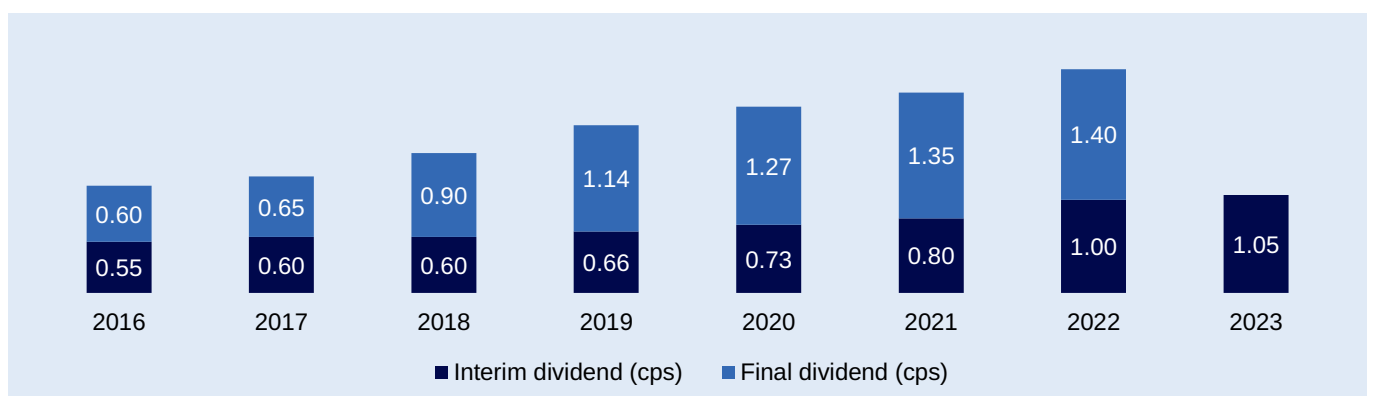
As at 31 July 2023	3 Months	6 Months	1 Year	Since Inception
TOP investment portfolio	-2.55%	-0.24%	7.44%	8.99%
S&P Small Ordinaries Accum. Index	0.20%	-1.54%	0.77%	8.35%
Performance versus Index	-2.75%	1.30%	6.67%	0.64%

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

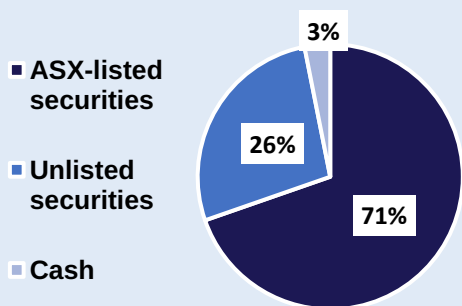
## TOP SECURITIES

Rank	Company	% of Portfolio
1	20 Cashews Pty Ltd	25.2
2	MMA Offshore	20.3
3	Solvar	9.4
4	Austin Engineering	8.9
5	Southern Cross Electrical Engineering	6.8
6	Decmil Group	5.8
7	Service Stream	5.3
8	Consolidated Operations Group	4.1
9	Retail Food Group	2.8
10	AMA Group	2.2

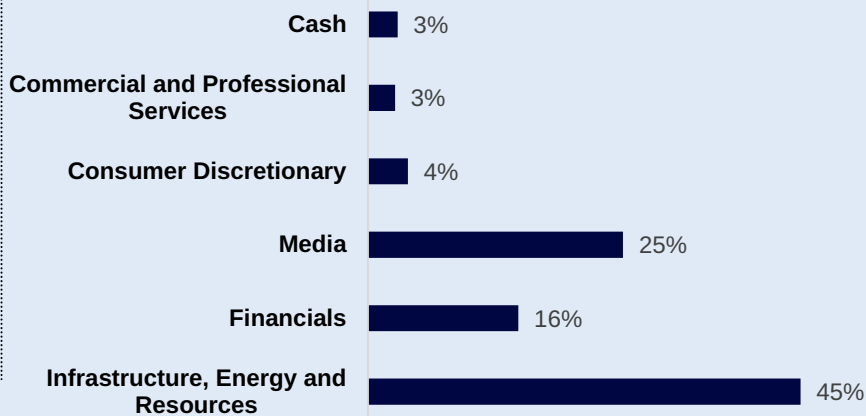
## TOP FULLY FRANKED DIVIDEND HISTORY



## ALLOCATION OF INVESTMENTS



## PORTFOLIO SECTORS



## CASH BALANCE AND AVAILABLE FACILITIES

- Cash held short-term with the major banks \$3.9m
- Prime broker and margin lending facilities available: undrawn as at 31 July 2023

## OVERVIEW

The increase in the TOP NTA as at 31 July 2023 compared to June was largely attributable to share price gains in MMA Offshore Limited (ASX.MRM) and Southern Cross Electrical Engineering (ASX.SXE).

On 3 August, **Solvar Limited** (ASX.SVR) provided a market update highlighting the strength of its performance in FY2023 (unaudited), however the market was caught by surprise by the extent of the FY2024 earnings downgrade as the effects of the RBA's rate rise cycle manifest. Post-announcement, the SVR share price fell 35-40% as the market digested the Company's explanation for this revised guidance. We maintain our view on the medium to long term outlook for SVR. To that end, we have taken advantage of this opportunity and increased our exposure to SVR, with TOP (and associates) now having a shareholding of c.15.7%.

## INVESTEE COMPANY UPDATES

### MMA OFFSHORE LIMITED

- MRM advised that anticipated EBITDA for FY2023 will be in the range of \$66 – \$68 million, an increase of over 100% on the previous financial year. MRM had a stronger than expected second half (2H) with a number of vessels trading through the traditionally quieter Southeast Asian monsoon period.
- MRM also achieved solid utilisation across its fleet, notwithstanding four of its vessels being dry-docked during 2H. 2H vessel utilisation averaged 79% up from 71% for the previous corresponding period and full year utilisation averaging 80%, up from 73% for FY2022. The Company said strong demand from both its traditional oil and gas markets and the growing offshore wind market continues to drive utilisation which is translating into higher rates for its assets and services as the market tightens.
- MRM said its subsea division also had strong year, delivering several substantial integrated projects across oil and gas, offshore wind and defence and utilising a combination of its own vessels and third-party assets, which has contributed to its positive overall result.
- **Thorney view: We are confident in MRM's continued earnings potential due to increased fleet utilisation, rising vessel rates and growing service revenue, associated with the recovery in the oil and gas markets and the surge in offshore wind construction. We are optimistic that these factors are likely to lead to a further increase in the NTA per share.**

### SERVICE STREAM LIMITED

- Service Stream Limited (ASX.SSM) announced it secured two new agreements which together are expected to generate approximately \$340 million in revenue over their respective terms.
- The first agreement is a further \$170 million work program under its N2P (Node to Premise) Evolution Agreement with NBN Co, which seeks to deploy additional fibre infrastructure across Australia. The program encompasses the provision of specialist planning, design and construction services to support eligible premises with progressive access to Fibre to the Premise (FTTP) technology. It is expected to be delivered over a 12-18 month period, with works secured across targeted regional locations within Victoria, New South Wales and Queensland.
- In addition, SSM was appointed by AGL to perform station maintenance at the Loy Yang Power site in the Latrobe Valley, under a 5-year agreement expected to generate approximately \$170 million over its term. The scope of works under this agreement encompasses station maintenance incorporating boiler and combustions, flue gas and draft, steam cycle, water and turbine generation, as well as electrical maintenance on mine infrastructure.
- **Thorney view: We are encouraged that SSM will likely complete the troubled Utility project, fully provisioned, in the current calendar year. The NBN term extension and operational diversification from the Lend Lease Services acquisition, now fully integrated, provides a sound platform for the business to move forward.**

## DECMIL GROUP LIMITED

- Decmil Group Limited (ASX.DCG) announced the completion of its \$26.3 million Redeemable Convertible Preference Shares (RCPS) capital raise which Thorney Investment Group (Tiga Trading Pty Ltd and Thorney Opportunities Ltd), cornerstoned.
- The retail component raised \$18.3 million and a further \$4.6 million was raised under the institutional component of the Entitlement Offer as previously announced.
- The Placement of a further 17 million RCPS to raise \$3.4 million remains ongoing.
- **Thorney view: We are optimistic that the refreshed DCG Board and Management team has ‘righted the ship’. With the current industry tailwinds and strengthening balance sheet, we believe DCG is positioned to deliver a recovery in earnings.**

## COOPER ENERGY LIMITED

- Cooper Energy Limited (ASX.COE) announced record full year FY23 gas and oil production of 3.56 Mmboe, which was 8% higher than the prior year and in line with FY23 revised guidance, mainly due to increased gas production from its Sole gas project following improved year-on-year performance at the Orbost Gas Processing Plant.
- COE also expects to meet revised FY23 u-EBITDAX based on unaudited results of around \$109 million, just above the mid-point of the revised guidance range of \$106 – \$111 million.
- FY23 capex is expected to fall just below the guidance range of \$47 – 52 million, with the preliminary unaudited estimated spend around \$45 million, it said.
- **Thorney view: The upcoming six months we see as a period of de-risking for COE following new management transition and the completion of the transfer of operations from APA at Orbost enabling other operational efficiencies to be implemented. These factors along with Government clarity that COE is deemed a “small domestic supplier” and therefore exempt from pricing provisions should provide the stock with some steady trading periods.**

## CHAIRMAN'S COMMENTS

Alex Waislitz said: *“Equity markets continue to be choppy due to ongoing uncertainty over the macroeconomic outlook. Despite this, we believe that our engineering and mining services holdings should perform well due to strong order books and higher earnings. Longer term, we believe the market will reward value which should benefit TOP and that our investment approach will deliver strong performance for shareholders over time. Our on-market buyback program for TOP shares, which commenced 9 March will continue for a period of 12 months to 8 March 2024, which is one of the initiatives designed to address the share price discount to NTA.*



## 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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