

INVESTMENT UPDATE AND NTA REPORT AUGUST 2023



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

NTA Current Month	Before Tax ¹	After Tax ¹
31-Aug-23	71.4 cents	70.1 cents

NTA Previous Month	Before Tax ¹	After Tax ¹
31-Jul-23	74.3 cents	71.7 cents

¹ Figures are unaudited and approximate.

KEY ASX INFORMATION (AS AT 31 AUGUST 2023)

ASX Code	TOP
Structure	Listed Investment Company
Inception date	January 2014
Market Capitalisation	\$92.0 million
Share Price	48.5 cents
Shares on Issue	189,714,778
Dividends	Half yearly
Management Fee	0.75% half yearly
Performance Fee	20% of net NTA increase over pcp
Manager	Thorney Investment Group

INVESTMENT PERFORMANCE*

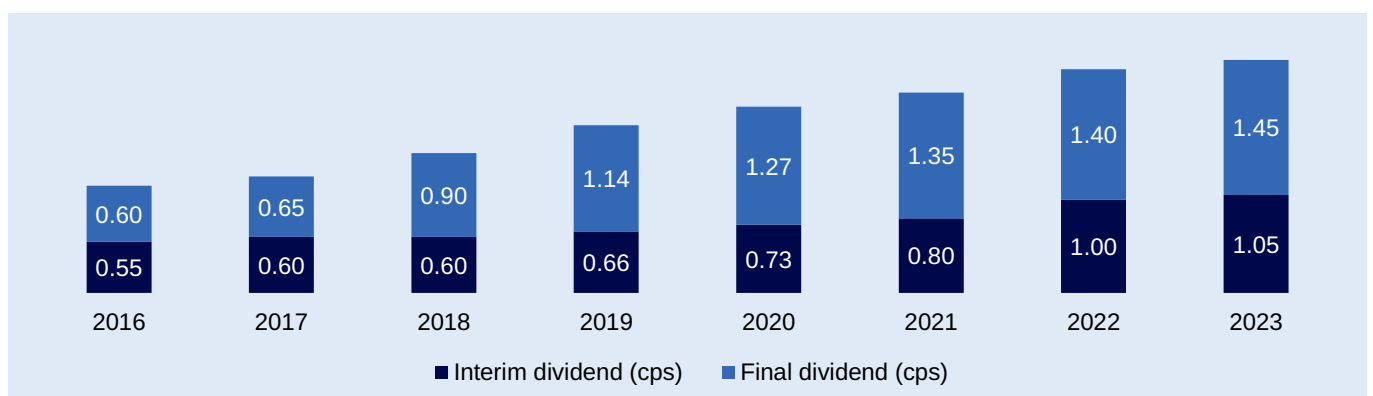
As at 31 August 2023	3 Months	6 Months	1 Year	Since Inception
TOP investment portfolio	2.71%	-5.00%	-0.53%	8.59%
S&P Small Ordinaries Accum. Index	2.22%	0.90%	-1.12%	8.03%
Performance versus Index	0.49%	-5.90%	0.59%	0.56%

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

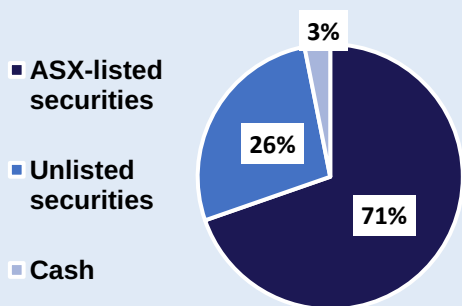
TOP SECURITIES

Rank	Company	% of Portfolio
1	20 Cashews Pty Ltd	25.7
2	MMA Offshore	20.6
3	Austin Engineering	8.8
4	Southern Cross Electrical Engineering	8.0
5	Solvar	7.4
6	Decmil Group	5.9
7	Service Stream	5.4
8	Consolidated Operations Group	4.1
9	Retail Food Group	2.6
10	AMA Group	1.9

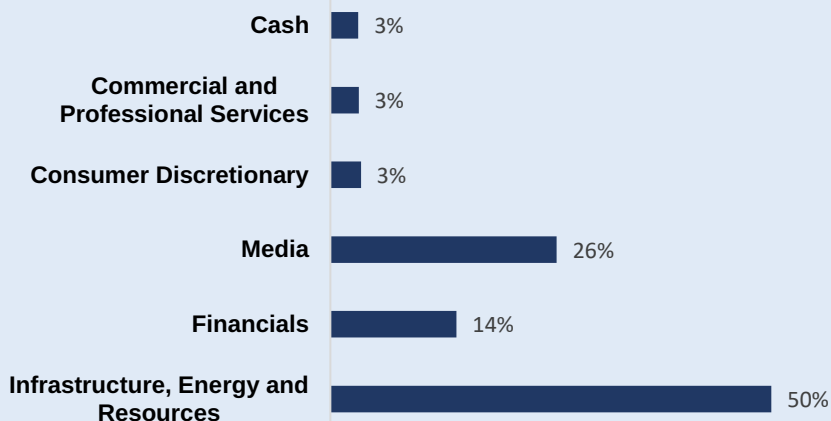
TOP FULLY FRANKED DIVIDEND HISTORY



ALLOCATION OF INVESTMENTS



PORTFOLIO SECTORS



CASH BALANCE AND AVAILABLE FACILITIES

- Cash held short-term with the major banks \$4.5m
- Prime broker and margin lending facilities available: undrawn as at 31 August 2023

OVERVIEW

The decrease in the TOP NTA as at 31 August 2023 compared to July was largely attributable to share price declines in Solvar Limited (ASX.SVR) following its FY2024 earnings downgrade on 3 August.

INVESTEE COMPANY UPDATES

MMA OFFSHORE LIMITED

- MMA Offshore Limited (ASX.MRM) announced revenue for FY2023 of \$308.3 million, up 9% on the pcp and EBITDA of \$69.3 million, up 115%. NPAT for the year was \$127.7 million which included a \$80.3 million reversal of prior years' vessel impairment charges and \$25.1 million profit on sale of assets.
- MRM also generated operating cashflows of \$50.5 million, up 233% on the prior year and the Company ended the financial year with cash of \$106.3 million.
- MRM said FY23 was a milestone year for its balance sheet, with the Company ending the financial year in a net cash position and with an agreement for a new \$130 million revolving debt facility, which would enable it to draw down and repay debt as required, providing increased flexibility and liquidity for the future.
- MRM said it expects a continuing strengthening market outlook through FY2024 and beyond with earnings continuing to improve in FY2024.
- Also in August, MRM was awarded a contract to manage research vessel (RV) Investigator on behalf of the CSIRO, marking another major milestone in its diversification strategy with government services being a key target growth market for MRM. The contract is for a period of 4 years (with 2 x 3-year options) and is anticipated to generate approximately \$80 million in revenue across the firm period. Under the contract, MRM will provide technical services, operational management and crew management for the RV Investigator utilising MMA's significant in-house systems, maritime skills, and expertise.
- Subsequent to month end, the Company announced a new contract on the Platform Supply Vessel, *MMA Inscription*, which will provide up to \$17.3 million of revenue (firm contract: \$12.4 million revenue) subject to all options being exercised.
- **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.**

SOLVAR LIMITED

- Solvar Limited (ASX.SVR) continued its growth trajectory toward a loan book of \$1 billion with Net Profit After Tax (NPAT) of \$47.6 million and EBITDA of \$110.8 million for FY2023.
- SVR saw strong loan growth demand in FY2023 with \$535 million in new loans and a 24.1% increase in gross loan book to \$910.1 million during the period. The Company also increased its final dividend by 28.6% to 9.0 cents per share (fully franked).
- Looking forward to FY2024, SVR anticipates the following:
 - Loan book expected to exceed \$1 billion;
 - Overall yield on book reducing due to portfolio shifts and improved credit quality;
 - EBITDA expected to be broadly consistent with FY2023 due to one off increase in cyber and risk management resources, however NPAT in FY2024 will be materially lower due to increased interest charges;
 - Bad debts within target range of 3.5% - 4.5%; and
 - The business will have a substantial focus on driving productivity.
- **Thorney view: We maintain our optimism for SVR as it continues to grow its loan book and look forward to it returning to improved profitability beyond FY2024.**

AUSTIN ENGINEERING LIMITED

- Austin Engineering Limited (ASX.ANG) reported a strong increase in revenues and order book for FY2023, with Group revenue of \$258.3 million, up 27% (FY22: \$203.3 million) and order book up 35% year-on-year to \$143.7 million.
 - The Company reported normalised NPAT of \$18.1 million, up 8.4% and within guidance (FY2022: \$16.7 million).
 - ANG also announced FY2024 guidance as follows:
 - H1 FY2024 revenue of \$120 million - \$140 million, up ~60% from H1 FY2023
 - H1 FY2024 underlying NPAT of \$10 million - \$12 million, up ~50% from H1 FY2023
 - Company on track to be debt free in FY24
 - **Thorney view: ANG is well positioned to deliver strong earnings performance in FY2024 due to its leverage to the resources markets, expanded capacity and product offering, operational efficiencies and a strong order book.**
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SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED

- Southern Cross Electrical Engineering Limited (ASX.SXE) announced record profitability for FY2023 with EBITDA of \$38.2 million up 8.1%, EBIT of \$29.6 million up 10.7% and NPAT of \$20.1 million up 31.6% on prior year
 - SXE also announced a record cash balance of \$77.7 million up 46.3% on prior year and no debt and a record order book of \$610 million up 8.0% on prior year.
 - The Company declared a fully franked 4.0 cps final dividend giving a FY2023 yield of 7.5%
 - It also said recurring revenues now account over 35% of activity.
 - In FY24 SXE is targeting revenue of around \$500 million and similar EBITDA to FY2023 with growth anticipated in FY25 and beyond.
 - **Thorney view: SXE's strong order pipeline following the Company's recent success in winning a number of new contracts and continued diversification of revenue provides the basis for Thorney's continued optimism for the company.**
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DECMIL GROUP LIMITED

- Decmil Group Limited (ASX.DCG) announced the win of an \$84 million bulk earthworks contract at Perdaman's \$6 billion Ceres Urea Plant Project in the Pilbara region of Western Australia.
 - DCG said the contract value fits within its project size sweet spot and further reinforces its shift towards larger-sized contracts with more equitable risk allocations.
 - Following the contract award, the Company's orderbook (contracted and preferred) surpasses \$550 million.
 - DCG announced a substantial earnings turnaround in FY2023, with EBITDA reaching \$9 million (FY2022: \$44 million loss), with every quarter in FY2023 was EBITDA positive and increasing, illustrating operational consistency.
 - Revenue increased 29% to \$489 million (FY2022: \$378 million).
 - DCG's executive team expects to demonstrate further margin improvement going forward. The Company said an RCPS dividend (ASX: DCGPA) of \$0.00452459 per RCPS was determined and will be paid on 30 September 2023.
 - DCG is forecasting FY2024 revenue of \$440-480 million, with strong upside potential from the recently signed windfarm JV MOU and early contractor involvement awarded on major projects.
 - DCG also said positive cashflow from operations forecast for FY2024 with cash generation increasing in H2 FY2024.
 - **Thorney view: We are optimistic that the refreshed DCG Board and Management team has 'righted the ship'. DCG has returned to positive EBITDA in FY2023 and with the current industry tailwinds and strengthened balance sheet, we anticipate further earnings growth.**
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SERVICE STREAM LIMITED

- Service Stream Limited (ASX.SSM) announced FY2023 Group Total Revenue of \$2,151 million, up 38% on pcp and Underlying EBITDA from Operations of \$114.1 million, up 25% on pcp.
- The Group generated \$92.4 million of underlying operating cashflow before interest and tax (OCFBIT) which resulted in an Underlying EBITDA to OCFBIT conversion rate of 81%, exceeding expectations.
- SSM said following the successful completion of the Lendlease Services integration it has formulated a comprehensive Group strategy focussed on three strategic pillars designed to support the delivery of improved, consistent and incremental value to stakeholders.
- It expects further profit growth in FY24, supported by continued infrastructure led investment across its core markets and our internal priorities to deliver improved financial performance.
- **Thorney view: We are optimistic that SSM will 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.**

COG FINANCIAL SERVICES LIMITED

- COG Financial Services Limited (ASX.COG) announced an increase in FY2023 underlying NPATA to shareholders of 7% on pcp to \$24.2 million (FY2022: \$22.6 million) (excluding share of results in Earlypay Limited (“EPY”) and government subsidies in both years) and a fully franked final dividend of 4.7cps.
- The Company said the full year earnings benefit of FY2023 acquisitions will flow through to FY2024 profit results.
- Also in FY2024, the Company said:
 - It is expecting an improved result from Earlypay Limited.
 - Its strong balance sheet with unrestricted cash of \$75.2 million at 30 June 2023 and a \$31 million acquisition facility, will enable it to achieve further earnings growth both organically and through acquisition.
- **Thorney view: We anticipate further positive momentum from COG in FY2024 due to strong growth in both organic and acquisition earnings.**

CHAIRMAN'S COMMENTS

Alex Waislitz said: *“We expect equity markets to continue to be volatile over the months ahead given ongoing uncertainty about the macroeconomic outlook and concerns about weakness in China.*

We are positive about the outlook for the TOP portfolio and believe we are well-placed to navigate the changing macro backdrop, with our exposure to infrastructure, mining and resources services names a positive.

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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