

Spheria Emerging Companies Limited

ACN 621 402 588



# Spheria Emerging Companies Limited

ASX : SEC

Half-Year Results and Portfolio Update

# Agenda

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

# Spheria Emerging Companies (ASX: SEC)

Half-year results FY2019

1HFY19 loss	Portfolio performance <sup>1</sup>	Company performance <sup>2</sup>
\$9.2m	-10.5%	-10.7% (+2.0% to benchmark)

	Dividend	Annualised yield*
Cash	2.0c	3.5%
Franking (100%)	0.9c	
Grossed-up	2.9c	5.0%

\* Based on share price as at 18 February 2019 of \$1.72 (when combined with the final FY18 dividend of 4.0cps)

<sup>1</sup> Shows how the portfolio, for which the Manager is responsible, has performed after deducting management fees, costs and taxes and performance fees (if applicable).

<sup>2</sup> Calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains, assuming the re-investment of any dividends paid by the Company.

# NTA breakdown for 1HFY19



Source: Spheria Asset Management

# Dividend details

## Interim dividend

Amount	Dividend ex-date	Record date	Payment date
2.0 cents per share	5 March 2019	6 March 2019	20 March 2019

- Shares outstanding 66,337,546<sup>1</sup>
- Price \$1.72<sup>1</sup>
- Market capitalisation \$114.1m<sup>1</sup>

The Company aims to pay fully franked dividends from the portfolio income at least annually, subject to available profits, cash flow and franking credits.

<sup>1</sup>Based on share price as at 18 February 2019 of \$1.72

# Performance History

## SEC Portfolio performance

<i>Net Performance as at 31st Dec 2018</i>					
Period	3 month	6 month	1 year	Since Inception	Inception Date
SEC Mandate performance	-13.2%	-11.0%	-7.2%	-3.8%	30/11/2017
Benchmark	-13.7%	-12.7%	-8.7%	-5.5%	
<b>Outperformance</b>	<b>+0.5%</b>	<b>+1.8%</b>	<b>+1.5%</b>	<b>+1.7%</b>	

## SEC NTA performance

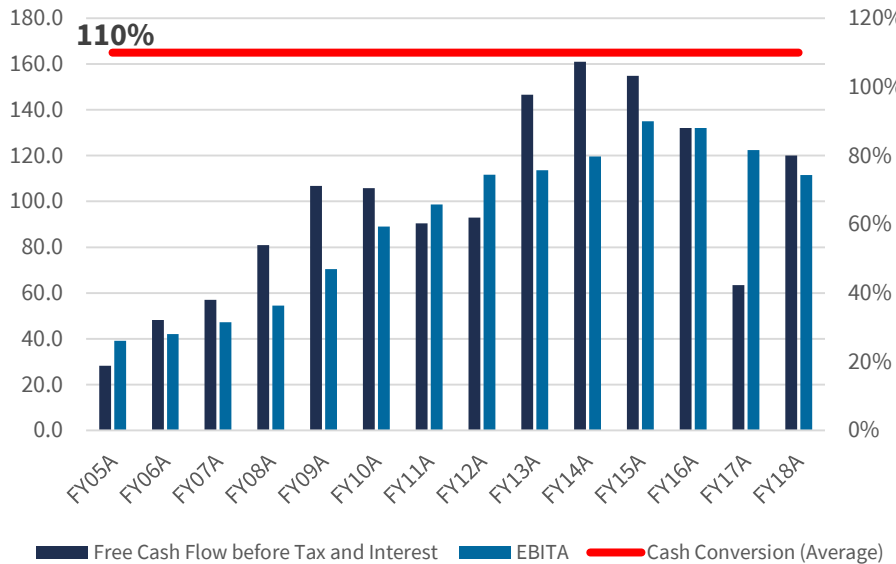
<i>SEC Limited Performance 31st Dec 2018</i>					
Period	3 month	6 month	1 year	Since Inception	Inception Date
Company performance	-12.7%	-10.7%	-9.1%	-6.2%	30/11/2017
Benchmark	-13.7%	-12.7%	-8.7%	-5.5%	

Company's performance is calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains.

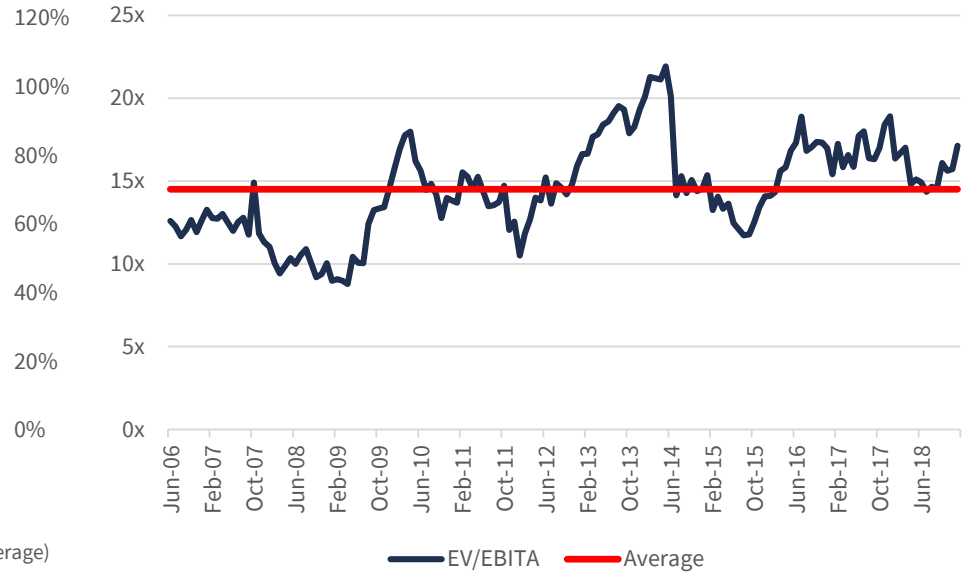
The Benchmark is pre-tax, S&P/ASX Small Ordinaries Accumulation Index



### Cash Flow Conversion



### EV/EBITA



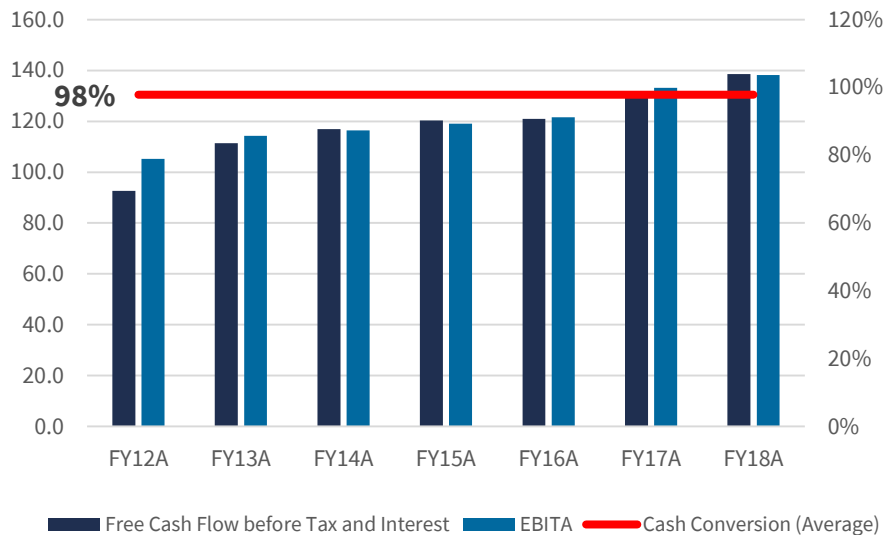
- Largest global operator of University Pathway programs
- Takeover proposal raised from \$5.50 to \$5.825 per share
- Recommended in the absence of superior offer

Source: Morningstar data and Spheria estimates

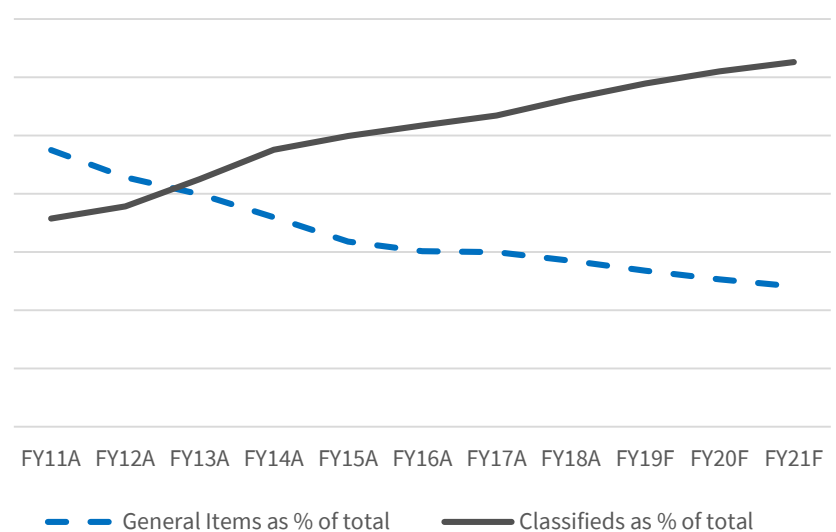


(TME.NZ)

### Cash Flow Conversion



### TME : Growth in Classifieds

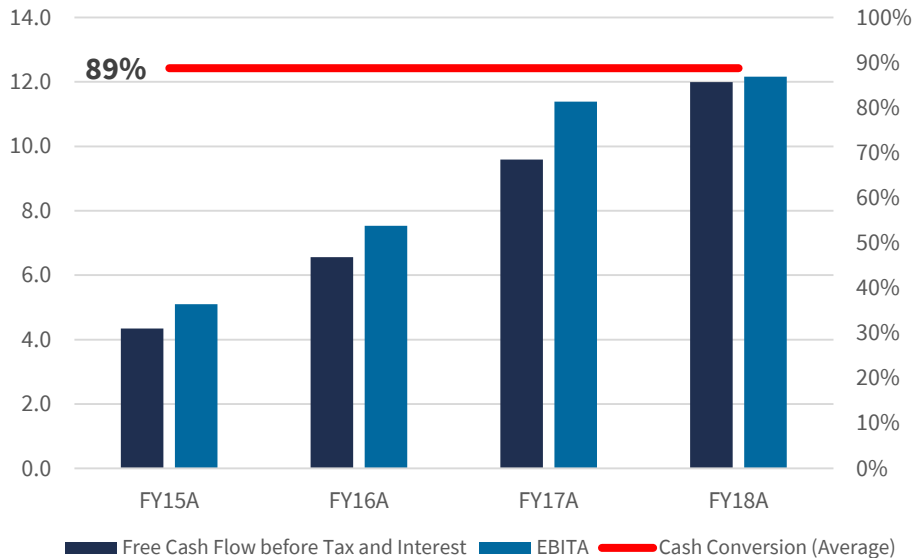


- Sales growth had been accelerating in Classifieds – particularly Property vertical
- Overall growth rate re-accelerating as Classifieds growing proportion of total revenue.
- Recommended takeover proposal from APAX Partners at NZ\$6.45/ share in Dec 2018.

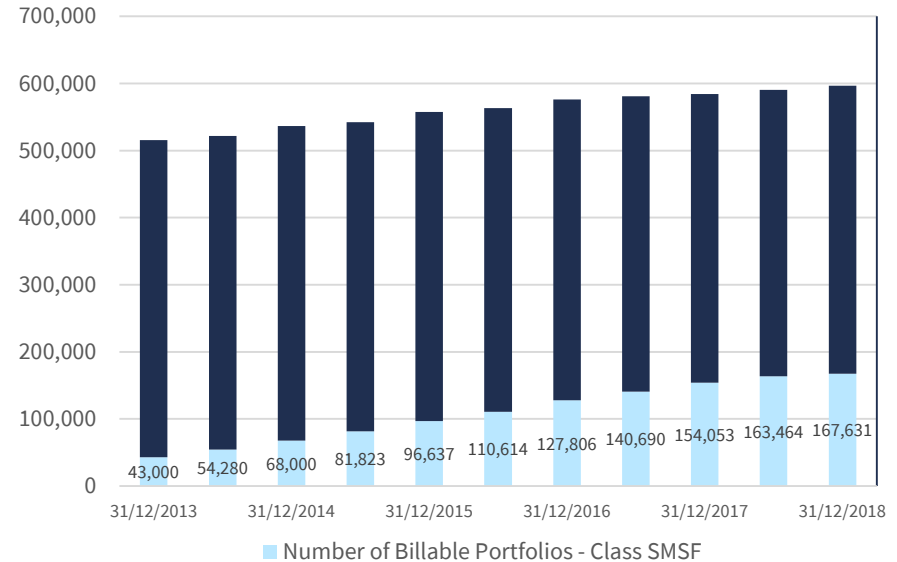
Source: Morningstar, Spheria, Trade Me company presentations



### Cash Flow Conversion



### Number of SMSF Accounts



- Market leading SMSF cloud software provider with 28% market share
- Adjacent growth into family trusts, high customer retention (99.2%)
- Strongly cash generative, net cash balance sheet (\$20m on balance sheet)

Source: Morningstar, Spheria, Class company presentations

# Highlights

Valuations inexpensive in microcaps

Spheria smaller companies fund beneficiary of M&A activity

- cash flow generative businesses;
- balance sheets strong; *and*
- most importantly valuations attractive

In medium term, economically sensitive stocks starting to offer value

# Company positions

## Spheria Emerging Companies as at 31 December 2018

<b>Ticker</b>	<b>Name</b>	<b>% Portfolio</b>
NVT	Navitas Limited	6.3%
BGA	Bega Cheese Ltd	5.6%
FBU	Fletcher Building	5.4%
PTM	Platinum Asset	4.7%
TME	Trade Me Group	4.7%
A2B	A2B Australia Ltd	4.6%
TNE	Technology One	4.5%
MND	Monadelphous Group	4.4%
CL1	Class Limited	4.3%
HT1	Ht&E Limited	4.2%
<b>Top 10</b>		<b>48.7%</b>

Source: Spheria, IRESS as at 31 December 2018

# Experienced, cohesive investment team

## Matthew Booker

Portfolio Manager

Over 20 years industry experience. Significant alpha generation managing Small Companies funds at Spheria, Schroders and Concord Capital.



## Marcus Burns

Portfolio Manager

Over 20 years industry experience of which 7 years in London. Significant alpha generation Australian small caps at Spheria and Schroders.

## Adam Lund

Analyst / Trader

Over 11 years experience in small and microcaps at Spheria and Schroders. Trading and research responsibilities.



## Olivier Coulon

Analyst

Over 14 years experience in small and microcaps at Spheria and Pental Group. Analysing and recommending positions.

## Allister Doecke

Trader

Over 10 years experience in equities dealing at Spheria and Taylor Collison. Trading responsibilities.

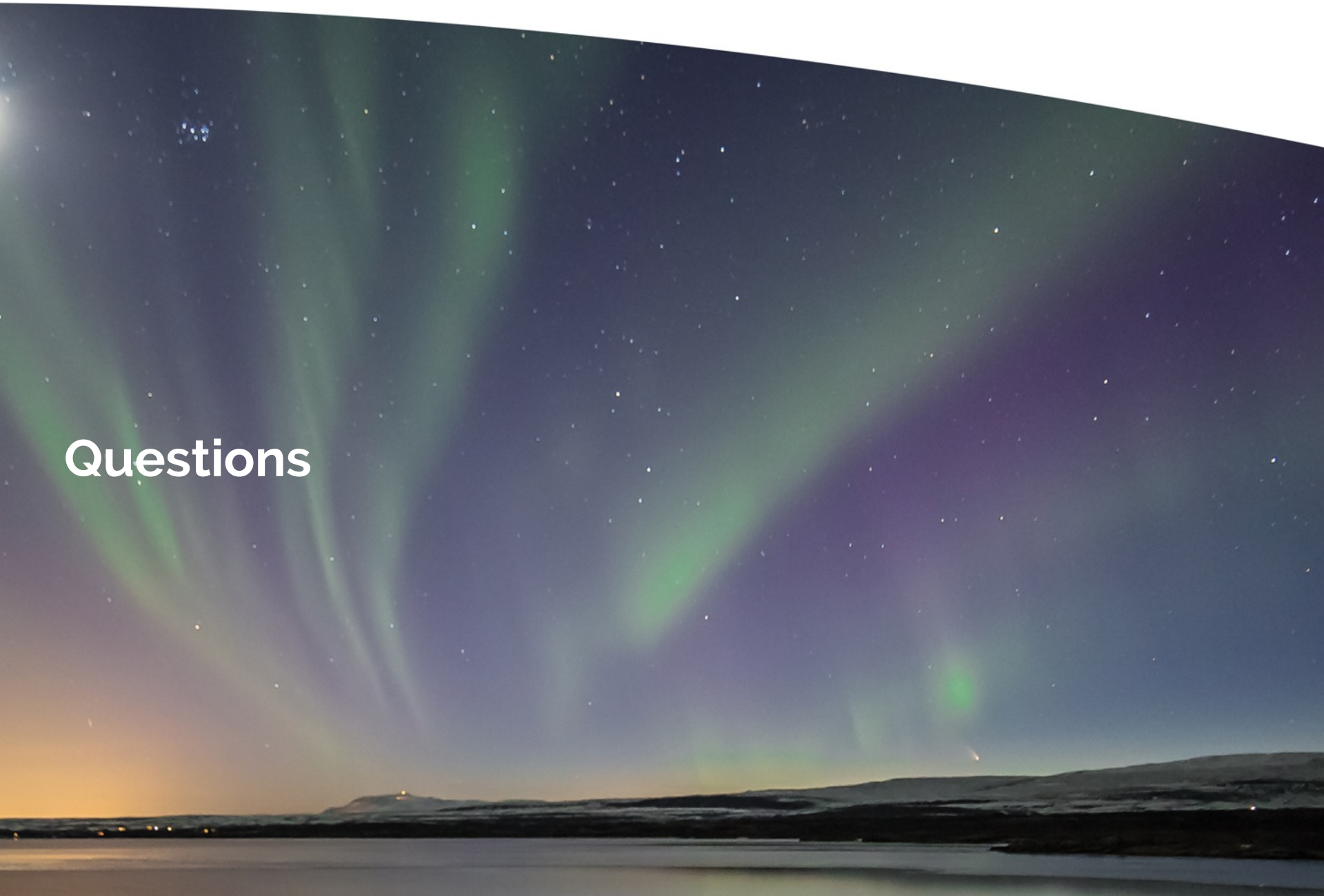


## Gino Rossi

Analyst

Over 16 years experience in small, microcaps and global at Spheria, Arnhem Investment Management, Citigroup and Renaissance AM.

# Questions





# LIC Disclaimer

Spheria Emerging Companies Limited ACN 621 402 588 (SEC)

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