



DMX CAPITAL PARTNERS LIMITED

2022 AGM PRESENTATION

# DMX CAPITAL PARTNERS LIMITED

Founded in 2015, an unlisted public investment company with ~140 shareholders and ~\$25m in assets.

We focus on identifying undervalued, prospective and unique nano and micro-cap opportunities on the ASX.

Strong alignment with management owning c.15% of DMX Capital Partners, and principals regularly adding to holdings.

Focused team of experienced, passionate investors with a shared long-term orientation.

18% CAGR return since inception.



<b>Roger Collison</b>	<b>Dean Morel</b>	<b>Steven McCarthy</b>	<b>Michael Haddad</b>	<b>Chris Steptoe</b>
Chairman, DMXCP	Independent Director, DMXCP	Director DMXCP & DMXAM/ Portfolio Manager	Director, DMXAM	Investment Analyst, DMXAM
20 years' investment experience as analyst and fund manager including head of research at Tyndall Asset Management	Over 30 years' investment experience, specialising in Australian equities and US options	20 years' experience as a fund manager, focused on both global and Australasian equities	20 years' experience as a fund manager, focused on both global and Australasian equities	20 years' micro-cap investment experience specialising in global equities with a technology focus

# STRATEGY / OBJECTIVE

*“To provide our investors with exposure to a diversified portfolio of difficult to access, small companies with strong growth prospects and attractive valuations that are likely to grow into much larger, more valuable, businesses”*

We are confident that this strategy will continue to deliver attractive long-term returns to our investors.

# HOW DO WE LOOK TO ADD VALUE?

## 1. Taking advantage of under the radar opportunities

We swim in a different pool to most investors & fund managers

Opportunities are under-analysed and under-researched

More likely to come across unique ideas that are inefficiently priced

Not afraid of illiquidity

## 2. Focussed on small company opportunities

We are absolutely committed to supporting emerging companies

We turn over a lot of stones in the space

Not distracted by what is happening in other parts of the market

Very strong knowledge of the opportunity set

## 3. Pragmatic investment approach

We seek out the most compelling investments, unrestricted by investment style

Our flexible approach sees us invest in the most attractive opportunities

Opportunities may range from a a cashed-up shell to a high dividend yield company and unlisted companies

## 4. Access to Management & Deals

Extensive network across brokers, management and industry participants

Provides access to deal flow: placements, lines of stock, underwriting, IPO and pre-IPO opportunities that are difficult to access

Also provides us with high quality company and industry insights

# HOW DO WE LOOK TO MINIMISE RISK?

## 1. A focus on valuation

A strong value thesis to underpin buying decisions.

Dividends, near term earnings and assets provide valuation support, limiting downside

Avoid paying for hype or story where the fundamentals don't justify the market cap

Avoid value traps – we want to be buying growing businesses with supportive tail winds

## 2. Detailed Fundamental Analysis

We want to buy good businesses with resilient business models that we are happy to hold for the medium to long term.

With illiquid holdings, once we hold a position it is often difficult to get out – so we need to get it right.

Avoid – story stocks, concepts, early stage businesses where the earnings profile is uncertain

## 3. Appropriate position sizing

Limit position sizes at cost to ~5%

Not trying to be heroes and take over sized positions that put the portfolio at risk.

Scale into positions as we gain confidence or milestones are reached

Higher risk positions given a lower weighting.  
More established businesses have a higher weighting.

## 4. A diversified portfolio

30 – 50 names

Typically uncorrelated

Diversified across sectors and by investment style

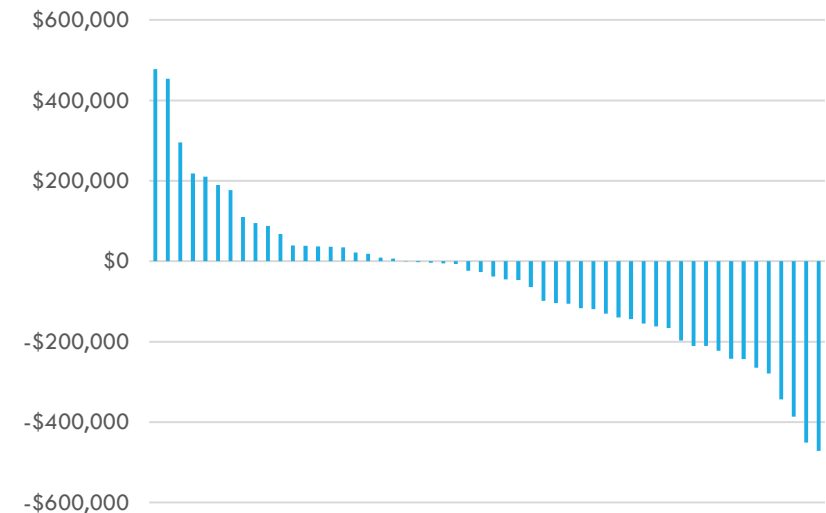
There are a large number of interesting small company opportunities, we want to be able to capture as many of these opportunities with significant upside

# FY22 SUMMARY

- Challenging year – our value-focussed strategy helped to limit losses.
- -7.8% return for the 12 months to 30 June 2022.
- Operationally, the portfolio companies on the whole performed well with good growth and profits.
- Of the 51 stocks owned though the year, 20 contributed positively, while 31 detracted. Technology related stocks were the biggest drag.
- Our asset base increased as a result of new investors and existing investors topping up holdings.

## Returns - 12 months to 30 June 2022

<b>DMXCP - NAV</b>	<b>-7.8%</b>
All Ordinaries Accumulation Index	-7.5%
XSO - Small Co's Accumulation Index	-19.5%



Companies performed well operationally during the year, notwithstanding declining share prices

# SUB \$20M NANO-CAP OPPORTUNITIES



Unique ideas, that offer significant upside from a low base. Undiscovered, ignored and genuinely under-the-radar; therefore, more likely to be inefficiently priced.

Typically 10 – 25% of portfolio.

Often only institutional holder on the register, and in some cases a substantial shareholder.

Current names include: Aeeris (**AER**), Knosys (**KNO**), Corum (**COO**), Datadot (**DDT**).



## Aeeris Limited (AER)

- Provides environmental data and weather/risk monitoring services to corporate and government clients
- AER is seeing increased relevance for its products - which help its clients prepare for climate volatility and ESG reporting compliance.
- Cashflow break even

\$8m M/C

## Knosys (KNO)

- Owns 3 global SAAS businesses
- \$10m ARR
- Strong cash balance
- Tight register, illiquid
- Market cap is highly leveraged to positive news
- Cash flow break even

\$18m M/C

Illiquid, unique ideas with significant upside

# \$20M-\$100M MICRO-CAP OPPORTUNITIES



Companies slightly larger/more mature, but still very much under-the-radar and attractively valued.

Further through their journey and with a longer track record - often dividend paying, geographically diverse opportunities.

Typically 50 – 70% of portfolio.

Current names include: Kip McGrath (**KME**) Cirrus (**CNW**), Pure Profile (**PPL**) Diverger (**DVR**), Sequoia (**SEQ**) Laserbond (**LBL**) Prime Financial (**PFG**) Ava Risk (**AVA**).



## Sequoia (SEQ)

- Fast growing diversified financial services provider
- \$15m net cash
- 20% cash yield in FY22
- PE of 10x
- Ambitious growth targets (\$300m revenue by FY26)
- Very strong organic and in-organic growth runway and positive tailwinds

\$70m M/C



## Laserbond (LBL)

- Engineering technology company – lengthens the life of heavy duty equipment
- Multiple growth drivers (its own products, licensing technology, servicing customers)
- PE of ~16x
- FY25 growth target of \$60m revenue

\$94m M/C

Portfolio sweet-spot: track record of growth with increasing liquidity



# \$100M+ SMALL-CAP OPPORTUNITIES



Larger, more mature, more widely owned opportunities. Provides important liquidity and diversification to the portfolio.

Interested in these opportunities if we can see clear value and upside.

Typically 20 – 40% of portfolio.

Current names include: Credit Clear (**CCR**)  
DDH1 (**DDH**), Smartpay (**SMP**), Energy One (**EOL**) People Infrastructure (**PPE**).



## DDH1 (DDH)

- Largest drilling company in Australia
- 87% of revenue from recurring contracts
- FY23 PE of 6x
- Dividend yield of 7%
- Good organic and in-organic growth runway

\$370m M/C

## Smartpay (SMP)

- Fast growing terminals payments company
- Benefitting as merchants switch away from banks
- H1 revenue growth of 91%
- EBIT has increased from ~0 two years ago to ~\$7m this year
- FY24 PE of 12x

\$150m M/C

Larger, more liquid opportunities, providing portfolio diversification and liquidity

# A CAUTIOUSLY POSITIVE OUTLOOK...



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We own a portfolio of **unique, undiscovered and undervalued investments**, with strong long term growth potential. These positions are often difficult to otherwise access.

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There will be short term challenges for some companies as economic conditions tighten, but we try to focus the portfolio on companies that can grow irrespective of economic cycle.

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We remain **disciplined and focused upon our core strategy**: identifying small, growing, well-managed, under-the-radar companies trading below our assessment of intrinsic value. **No shortage of new ideas** – we continue to have a strong pipeline of potential investments.

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FY23 has started well – up +10% year to date, with strong contributions in particular from stocks subject to takeovers.



# APPENDIX 1: CORPORATE DIRECTORY

<b>Directors</b>	<b>Roger Collison Dean Morel Steven McCarthy</b>
<b>Investment Manager</b>	DMX Asset Management Limited <a href="http://www.dmxam.com.au">www.dmxam.com.au</a>
<b>Accountant</b>	Moore
<b>Auditor</b>	HLB Mann Judd
<b>Solicitors</b>	Addisons
<b>Share Registry</b>	Advanced Share Registry Limited

# APPENDIX 2: LONG TERM PERFORMANCE



**\$100,000 invested in DMXCP on 1 April 2015 (dividends reinvested)**

