DMX Capital Partners Limited
November 2022 – Investor Update

An investment company managed by:
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Opening NAV (1 November 2022) (1,2)	**$2.3974**
Closing NAV (30 November 2022) (1,2)	**$2.5054**
Fund size (gross assets)	$25m
% cash held - month end	4%
Gearing	Nil

1-month return	4.5%
3-month return	2.4%
12-month return	-10.8%
3-year return (CAGR p.a.)	17.5%
Since inception (*7 years 8 months*) (CAGR p.a.)	17.9%
Since inception (*7 years 8 months*) (cumulative)	253%

*DMXCP Share price = Closing NAV (**$2.5054**), being: Share portfolio value + cash – fees payable – tax payable + franking credits*
Returns include dividends reinvested and franking credits paid.
Inception date of 1 April 2015 (Inception NAV: $1.00). Since inception, $1.02 of dividends & franking credits have been paid.

Dear Shareholder,

DMXCP's NAV increased 4.5% (after all accrued management fees and expenses) for November 2022. The NAV as at 30 November 2022 was **$2.5054** compared to $2.3974 as at 31 October 2022.

Markets continued to trend positively in November – the All Ordinaries was up 5.6% during the month while the Small Ordinaries increased 6.3%. Emerging companies once again lagged with a 2.8% increase.

November Portfolio Developments

November was a busy month with companies required to hold their AGMs by 30 November. As we saw in October, there was again a high level of corporate activity in the small cap space, with several small companies receiving takeover bids during the month. The key contributor to the month was PropTech (ASX:**PTG**) – up 107% following a takeover offer from a global property technology company priced at 60c. We have held PTG since it backdoor listed in late 2020 at 25c. While it has proved to be a fruitful investment for us, it is disappointing not to be able to share in the further growth that PTG was shaping up to deliver from the strong platform it had built since listing. The offer price, while at a significant premium to where PTG has been trading at in recent months, was still at a significant discount to the 72c that PTG last raised capital at, just over 12 months ago.

The material detractor was again AF Legal (ASX:**AFL** down 35%) following a messy change of management and board, as well as the subsequent termination of a proposed merger; while Raiz continued its fall (ASX:**RZI** down 24%).

In addition to the PTG bid, media reports during the month highlighted a further three portfolio companies potentially "in play" and positioned for private equity led takeovers:

- ReadyTech shareholders digs in for M&A battle (afr.com) ReadyTech (ASX:**RDY**) was reported (and subsequently confirmed) to have received a conditional offer from private equity at $4.50 (currently trading at $3.95).

- Staffing biz PeopleIN contracts Luminis for strategic review (afr.com) PeopleIN (ASX:**PPE**) was reported to be considering ways to unlock value for shareholders, including a potential private equity buyout, with PPE reportedly being pitched to offshore and local private equity firms as a potential cash generative platform investment.

- Janison Education dusts off M&A defence (afr.com) Janison Education (ASX:**JAN**) was reported to have attracted interest from domestic and offshore private equity groups and trade players, with its weak share price reportedly leaving it vulnerable to an opportunistic bid.

We will find out in the coming months whether any further formal bids result here, but typically in these situations, where there is smoke, there is fire. This continued takeover activity across our portfolio and in the small cap space more generally, reinforces the attractive valuations and opportunities that we believe are on offer at the moment.

During the month, we attended either physically or virtually a large number of AGMs. With AGM season now complete, we have a better feel for how companies are performing as the economic backdrop becomes more uncertain. Reflecting this uncertainty, updates were for the most part cautious as inflation begins to impact company cost bases, and growth becomes more difficult to forecast. On the whole, however, we are happy with the progress of our portfolio companies and enthused about their prospects. Reflecting this enthusiasm, as we look to realise cash and rotate capital into new opportunities that we are seeing, we are struggling to identify companies in our portfolio that we would be happy to sell.

Some of the more notable updates during the month are discussed below:

- Payment terminal provider, Smartpay (ASX:**SMP**), released its half year results during the month delivering exceptionally strong organic revenue and EBITDA growth of 68% and 119% respectively. 1H23 has seen an acceleration of the number of terminals sold to Australian SMEs where payment surcharging (the SMP model) is becoming increasingly accepted. SMP's strategy has been to target bank customers that have historically provided low levels of service and are easily displaced. Importantly, SMP estimate it has only penetrated 5% of their Australian TAM, so there is plenty of room for growth. The acceleration over the last 6 months can be attributed to a focused marketing campaign and a strong customer referral program. An example given was where SMP sold a terminal to one customer in a food court and the rest of the food court subsequently switched. We also got a peek into the future with its Android platform to be released later in the year. The platform will allow for multiple applications on the terminal. Examples such as POS and rewards programs were highlighted. SMP is currently trading on valuation metrics at a steep discount to its closest peer, Tyro (ASX:**TYR**), yet has a stronger growth profile and stronger profit margins.

- EarlyPay (ASX:**EPY**) provides invoice (debtor factoring), equipment, and trade financing to SMEs. With a new CEO on board, James Beeson, we were keen to hear what he had to say as he presented EPY’s outlook for the first time. James is keen to re-focus the business on invoice financing, where EPY has a clear competitive advantage and sees opportunities as alternative financiers struggle in the current environment. An FY23 forecast was highlighted by 25% growth in the Invoice Finance loan book, but higher funding and provisioning costs are expected to result in a flat PBT for the year. Subsequent to month-end, EPY reconfirmed this forecast (earnings of 4c, dividend of 3.2c), notwithstanding the voluntary administration of a key client. One of the attractions of the EPY model is the various layers of security that EPY takes (including trade credit insurance), which provides protection against losses in the event of a borrower default. While EPY is confident they will see a full recovery of funds due to their security, it may have an impact on the growth profile of the business, and the risk of further defaults in the current environment remains.

  EPY is 20% owned by fellow-ASX listed COG Financial Services (ASX:**COG**). COG were buyers of EPY stock at 55c earlier in the year. With a large broker network, COG has a strong distribution capability to grow EPY. Given EPY’s current soft share price believe it is possible that COG, at some point, will make another takeover offer for EPY, after previously failing to take EPY over in 2019.

- Prime Financial Group (ASX:**PFG**), which provides accounting and wealth management services across the Australian East Coast, was one holding that did have the confidence to confirm its FY23 forecasts: revenue is forecast to be up 15%, earnings per share up 15% and its full year dividend up 36%. These forecasts place the company on ~10x PE and a 7% dividend yield. And importantly, PFG reaffirmed its medium-term target of doubling group revenue over the next three years to $50 million (FY22: $26 million) through a mix of organic and inorganic activity. Over the last four years, PFG has approximately doubled its EBITDA from $4.1m to $7.8m and is developing a solid track record of consistent organic growth, primarily driven by recruiting accountants and advisers into the Prime network. With 44% of the company’s shares held by employees and directors, there is strong alignment with shareholders to continue to execute on its growth plans.

- Aeeris (ASX:**AER**), a provider of weather forecasts, alerts and climate risk reporting, for the first time, released a market update/presentation at its AGM. This improved market communication likely reflects the more compelling story that AER now believes it has to tell shareholders and the market. After several years of limited sales growth, a larger sales pipeline and increased marketing has resulted in an impressive 30% increase in its annual recurring revenue as of November 2022. Its ARR growth is accelerating due to contract wins in insurance, retail and construction sectors, supported by a growing sales pipeline and increased deal conversion. The tailwinds here (climate change, erratic weather which requires forecasting, alerts and risk management) are powerful and the opportunity for AER compelling, particularly given its low enterprise value ($5m) and an emerging blue sky new opportunity where AER is well placed to have a first mover advantage: providing climate risk disclosures which will soon be mandatory for corporate reporting entities.

Christmas wishes and concluding comments for 2022

2022 has been a challenging year, but the diversity, quality, and value inherent across our portfolio have served us well, all things considered. Looking to 2023, while we expect continued economic challenges and headwinds, we believe the portfolio is well diversified across a broad range of companies, sectors and business stages. Position sizes are appropriate such that any unforeseen or black-swan stock specific event will be contained without doing material damage to the portfolio.

The portfolio continues to be characterized by a core of solid, high dividend yielding, traditionally undervalued stocks, as well as a number of positions with attractive revenue growth profiles and substantial blue sky. We look forward to seeing these companies continuing their growth journey next year. As noted above, we are also likely to see the portfolio benefit from continued takeover interest, and other corporate activity, during 2023.

As this is the last newsletter before Christmas, we would like to take this opportunity to wish you and your family a safe and merry Christmas and an enjoyable new year.

We thank all our investors for their support, patience, and for the confidence you have shown in us and our strategy. We are privileged to have such a loyal and supportive group of long-term investors.

Kind regards

Roger Collison
Chairman

Steven McCarthy
Portfolio Manager

Chris Steptoe
Research Analyst

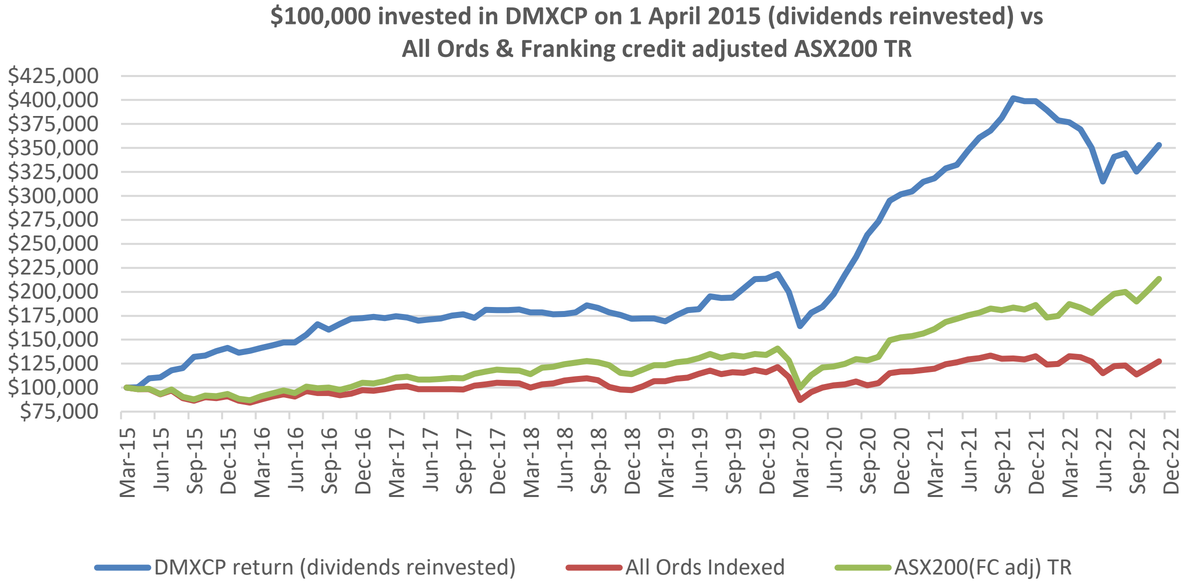
Note 1: Net asset value (NAV) is after income tax payable but includes an estimate of franking credits available. Refer note 4, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Franking credits per share are franking credits arising from dividends received and for tax paid or payable on realised portfolio gain

Appendix 1: Performance

Monthly DMXCP Net asset value (share-price) returns (after fees) since inception (April 2015) [3] (%):

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	All Ords
2015	n/a	n/a	n/a	+0.201	+9.448	+1.104	+6.524	+1.971	+9.711	+0.958	+3.568	+2.470	**+41.62**	**-8.83**
2016	-3.590	+1.323	+2.049	+2.045	+2.143	+0.020	+5.389	+7.056	+2.156	+1.058	+1.520	+0.321	**+23.10**	**+7.01**
2017	+0.885	-0.816	+1.790	-0.741	-1.990	+0.210	+1.071	+1.208	+0.822	+3.494	-0.267	-0.055	**+5.54**	**+7.83**
2018	+0.445	-1.625	+0.008	-1.173	+0.310	-0.211	+1.017	+4.112	+1.604	-3.438	-2.827	-2.257	**-3.66**	**-7.24**
2019	+0.122	-0.010	-1.624	+3.754	+3.014	+0.418	+7.482	-0.889	+3.279	+4.567	+2.997	+0.140	**+25.10**	**+19.02**
2020	+2.33	-8.42	-17.91	+8.521	+4.525	+6.213	+10.09	+8.669	+6.518	+11.10	+7.86	+2.24	**+42.47**	**+0.72**
2021	+1.02	+3.31	+1.17	+3.20	+1.10	+0.70	+3.96	+2.12	+3.80	+5.51	-0.84	+0.04	**+28.06**	**+13.55**
2022	-2.48	-2.93	-0.51	-2.04	-5.50	-10.64	+8.72	+1.20	-5.90	+4.52	**+4.50**		**-10.2%**	**-3.8%**

The following chart illustrates the return from investing $100,000 in the fund (including dividends and attached franking credits) since inception (1 April 2015). DMXCP is an absolute return fund, focused on generating positive absolute returns over the medium to long term.



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