



DMX CAPITAL PARTNERS LIMITED

2023 AGM: 21 NOVEMBER 2023

# SPECIALIST MICRO AND NANOCAP INVESTOR



An unlisted public investment company with ~140 shareholders and ~\$22m in assets. Founded in 2015, and managed by DMX Asset Management

We focus on identifying highly prospective and unique nano and micro-cap opportunities on the ASX

Focused team of experienced, passionate investors with differentiated backgrounds. Strong alignment with management / Directors owning ~18%

Strategy has recorded ~15% per year compound annual return since inception.

Paid \$1.02 in dividends and franking credits since inception (\$1.00 inception price)



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

## STRATEGY / OBJECTIVE



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

Strategy commenced in 2015 - has delivered ~15% CAGR over last 8+ years.

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

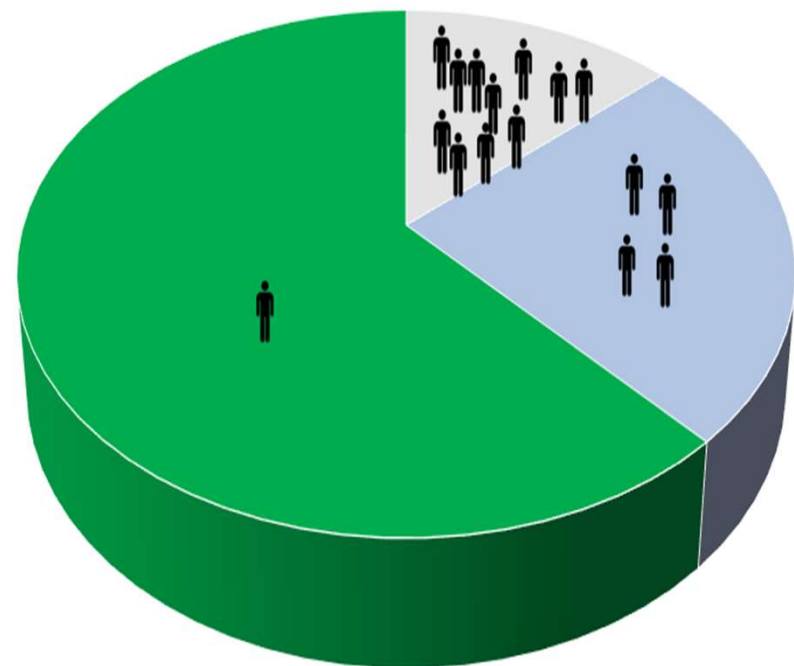
# THE OPPORTUNITY: NANOS AND MICROCAPS

We look to support under-the-radar Australian businesses, and provide our investors exposure to these unique, under-owned different opportunities.

~1100 ASX companies with market caps below \$100m.

These smaller companies can perform differently from the broader market, and:

1. There are much more of them
2. They are severely under researched and under the radar
3. Valuations are more attractive / inefficiently priced
4. They have significant upside potential from low bases



■ Large Cap > \$1B ■ Small/Micro Cap > \$100m ■ Our Universe < \$100m

# TAKING ADVANTAGE OF THE OPPORTUNITY



## 1. Genuine 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 opportunity set

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 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

# OUR JOURNEY OVER THE LAST 9 YEARS



Have become a well-recognised supporter of emerging, growing, small ASX companies

Genuine long-term investor in emerging Australian companies, with many positions held for >5 years

DMXAM is a top 10 holder in ~20 under-the-radar ASX companies, and a substantial shareholder in 7

We support management and provide capital across an emerging company's growth journey. We engage constructively and voice feedback & concerns, and advocate where appropriate

Have delivered our shareholders an ~15% annual return, including \$1.02 paid since inception as dividends and franking credits

Joyce Corporation (ASX:JYC)	Diverger Limited (ASX:DVR)
First purchased: 2016 (7+ years holding)	First purchased: 2017 (6+ years holding)
<u>Growth:</u>	<u>Growth:</u>
FY16 Profit: \$2.3m	FY17 Profit: \$1.5m
FY23 Profit: \$9.1m	FY23 Profit: \$4.7m
Dividend 6c to 25.5c	Dividend 2c to 5.5c

## FY23 RE-CAP

Return (after fees/costs) of -0.7%

Challenging 18 months for investing in small companies - smallest ASX listed companies (<\$20m market cap) fell by 37%

However, the fundamentals of most of our holdings have generally been improving. With capital harder to access, companies have become more cost focussed and disciplined

Four positions received takeover offers during FY23: PTB Group, Elmo Software, Proptech and DDH1

The current opportunity set is the most prospective we have seen in this part of the market since we commenced DMXCP in 2015

# OPPORTUNITY NOW IS VERY ATTRACTIVE

- Emerging companies underperforming Top 100 by ~25% since late 2021
- Flight to liquid and larger names - lack of liquidity currently commands a significant discount
- Many retail and institutional investors have vacated the space
- Creates opportunity for us with genuine long term and patient approach





# UPDATE #1 : DIVERGER (ASX:DVR)



First acquired shares in 2017 – DMXAM became a substantial shareholder in October 2023

Two interested acquiring parties: CUP bid at \$1.14; COG non-binding bid at \$1.41 (now withdrawn)

We considered the CUP bid to be too low. Have been clear and public in our position to achieve a fairer outcome for DVR holders

We have been in active discussions with DVR and its shareholder base, and with CUP & COG

CUP has now increased its offer to \$1.365

	FY23	FY23 exit run rate	FY25 Target
Net Revenue (NR)	\$37.6m	\$43.2m	\$40m - \$45m
Underlying EBITA <sup>1</sup>	\$6.9m	\$8.2m	\$10.5m - \$12.5m
NPATA	\$4.7m	\$5.0m	\$7.0m - \$8.3m
Adjusted EPS (NPATA/SOI) <sup>2</sup>	12.5 cps	13.2 cps	18 - 22 cps

Under-appreciated business now attracting multiple suitors

## UPDATE #2 : LASERBOND (ASX:LBL)

Initial purchase in 2020 through negotiations with a director, subsequently participated in a capital raise in 2022

Founder led, family-controlled company, with IP developed over many years - lengthens the life of heavy-duty equipment

Multiple growth drivers (its own products, licensing its technology, servicing customers)

We are expecting 2024 to be a breakout year for LBL's profit – NPAT to be strongly up, with a number of technology licensing deals expected to be completed



EBITDA (\$M)



Strong track record of monetising its IP with significant global opportunity

## UPDATE #3 : FINDI (ASX:FND)

We supported a raise (shares and options) in 2022 to enable FND to buy 75% of its Indian ATM business. At the time FND's market cap was ~\$15m

FND's Indian subsidiary recently raised capital at an implied valuation of >\$150m

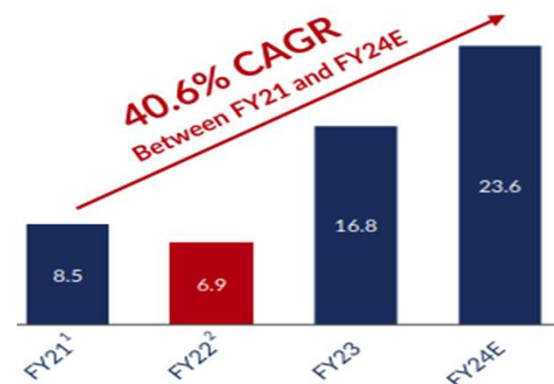
Supported by long term contracts with major Indian Banks, our DCF is >\$3 per share

The business is using its ATM infrastructure, to develop digital payments and banking services

Under the radar but becoming a key player in the Indian banking sector

**FINDI**

**\$23.6M** up 40.6%  
FY24E EBITDA



## UPDATE #4 : CARETEQ (ASX:CTQ)



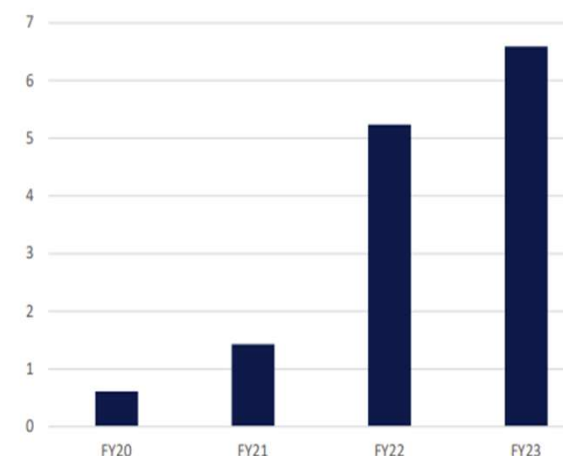
We looked at (and passed on investing) in 2019 (pre-IPO) and in 2022 (IPO – 20c). Subsequently lead a raise at 2.5c – CTQ’s EV was \$2m. DMXAM is now CTQ’s largest holder

Owns (via a JV) a market leading medication management business, and a fast-growing medical monitoring technology business

Multiple ways to win from such a low EV – asset sales, emerging profit, corporate activity

2024 is expected to see its medication management business deliver a solid profit (\$1.5m) and its technology business deliver a breakeven result

Group Operating Revenue (\$m)



Asymmetric opportunity with significant imbedded value

# UPDATE #5 : ADVANCED BRAKING (ASX:ABV)



Unique braking technology and IP developed over 20 years. Fail safe brakes with significant environmental benefits

Market cap of \$18m, profitable and growing revenues at 20%+

Dominant market position in Australia, and growing revenues in America and Africa

2024 will see the launch of a new heavy vehicle braking product – substantially expanding ABV's market opportunity

Summary Financial Results	FY23	FY22	Change
Revenue from ordinary activities	\$14.69m	\$11.74m	25.1%
Revenue from continuing operations	\$14.15m	\$11.1m	27.9%
Product Margin	49.9%	43.9%	5.97%
Total expenses	\$6.17m	\$4.93m	25.1%
EBITDA	\$1.5m	\$0.7m	82.6%
Net profit after tax	\$1.47m	\$0.64m	129%
Cash and cash equivalents	\$2.05m	\$1.74m	17.8%

Unique IP with strong ESG and electrification tailwinds

## INVESTING WITH DMX

We own a diversified portfolio of **unique, undiscovered and undervalued investments**, with strong long term **profit growth** potential. We operate in a part of the market where the pricing is the most inefficient and few investors play

Our positions are unique, **different, under-owned and often difficult for investors to otherwise access**, with the portfolio quite differentiated from the broader market

We use our **networks and relationships with Directors, Management and brokers to access and deal in stock**. We **advocate on behalf of our investors** and minority holders when required

When interest does return to small companies, the combination of improving fundamentals, low liquidity and low valuations, should provide an **opportunity for strong re-rates**

Focused

Unique ideas

Diverse portfolio

Advocates

Passionate