DMX Capital Partners Limited
August 2024 – Investor Update

An investment company managed by:
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DMXCP directors: Roger Collison
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Opening NAV (31 July 2024) [1,2]	**$2.6431**
Closing NAV (31 August 2024) [1,2]	**$2.6570**
Fund size (gross assets)	$26m
% Cash held - month end	3%
Number of positions	44
Gearing	Nil

1-month return	0.5%
3-month return	9.3%
12-month return	17.7%
3-year return (CAGR p.a.)	2.3%
5-year return (CAGR p.a.)	15.6%
Since inception (*9 years, 5 months)* (CAGR p.a.)	15.5%
Since inception (*9 years, 5 months*) (cumulative)	288.35%

*DMXCP Share price = Closing NAV (**$2.6570**), 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 0.5% (after all accrued fees and expenses) for August 2024. The NAV as at 31 August 2024 was **$2.6570**, compared to $2.6431 as at 31 July 2024.

After a sharply negative start to the month which saw ASX indices down >5%, Australian equity markets recovered somewhat during August - the All Ordinaries ended flat while the Small Ordinaries finished down 2.0%. The Emerging Companies Index was up 1.9%.

Key contributions for August came from Kip McGrath Education (ASX:**KME**) which was up 29%, reporting a much improved second half result, while AFL Legal (ASX:**AFL**) increased 23% following a return to profits. The largest detractor was our small position in Academies Australasia (ASX:**AKG**) which declined 43% partly on the back of a poor result, but also following the news of the federal government confirming the implementation of a cap on international student numbers – we discuss this in more detail below.

FY24 reporting season - encouraging progress

Full year reporting gives us the best opportunity to review the progress of our portfolio over the last 12 months, and to assess our company's prospects through their outlook statements and guidance. Despite the modest NAV increase during the month, we were encouraged by the majority of results reported by our positions.

In reviewing the results across the portfolio, one pleasing aspect stood out for us – the number of positions that have been "work-in-progress" over the past couple of years, but which are now delivering encouraging results. These holdings achieved key milestones that support our investment thesis, while they also represent important markers of value creation. In the names below, following delivery of their FY24 results, we have increased conviction and enthusiasm that these stocks are on track for strong re-rates at some point.

Name	Position Size	Milestone	Future expectations / thesis
Medadvisor (ASX:**MDR**)	~4%	**Maiden NPAT, & aggressive 5-year growth targets set**	Revenue growth of 25% resulted in maiden NPAT. 5yr revenue target of $250m (doubling revenue) and 20% EBITDA margins, implying $50m EBITDA implies a substantial pathway of growth ahead.
Sequioa (ASX:**SEQ**)	~4%	**Profitability restored; board refreshed**	Revenue growth of 26% delivered underlying NPAT of $5m, following a loss in FY23. With $16m of cash and $5m of ASX investments SEQ's EV is ~$30m. Outlook is for revenue and profit growth.

Verbrec (ASX:**VBC**)	~3%	**Turn-around complete under new CEO**	Reported a $4.7m NPAT (up from a $6m loss in FY23). PE of 7x FY25 earnings[1]. Legacy issues have been dealt with and a strong platform now exists for growth into FY25.
Embark (ASX:**EVO**)	~3%	**Now executing on acquisitions after NZ business sold**	Announced the acquisition of seven new childcare centres putting its long held surplus cash to work, having divested its NZ operations. Forecast EPS growth of 41% in CY25, trading on CY25 PE of 7.3x and with a dividend yield of 8%[2].
Kip McGrath (ASX:**KME**)	~3%	**Profitability restored – new board focussed on return on capital**	A much improved, profitable second half after some first half missteps. Revenue and profit growth forecast for FY25 with increased focus on Return on Capital. We expect a 10% ROC, being ~$2.5m NPAT.
Pure Profile (ASX:**PPL**)	~3%	**Maiden NPAT**	As mentioned in last month's update, the journey to profit for PPL has been lengthy and at times frustrating, but we have got here now. We congratulate management.
RPM Automotive (ASX:**RPM**)	~2%	**Material business improvements and cashflow**	Reported a clean $4.6m NPAT with EPS +127%. Trailing PE of 4x. New management has improved margins and cashflows. Outlook for strong revenue and profit growth. July revenue +18%
AFL Legal (ASX:**AFL**)	~2%	**Profitability restored with increased scale**	Revenue growth of 15% with NPBT of $0.8m (up by $0.6m). With the business now stabilised and growing, FY25 will benefit from the increased scale (revenue now at ~$25m) and full year contribution from the recent ACWE acquisition will assist in margin expansion.
Soco Corporation (ASX:**SOC**)	~2%	**Profitability restored and strong growth forecast – founder returning as CEO**	After a challenging H1 as Canberra cut back on IT consulting spend, and then a period of restructuring, SOC delivered a strong $500k EBIT result in Q4, with revenue growth of 30% ($27m) targeted into FY25. Over half ($15m) of FY25's revenue is already contracted.
Early Pay (ASX:**EPY**)	~2%	**Dividend reinstated**	After a period focused on strengthening the foundations of the business, EPY now is well placed to resume strong growth at higher margins, which will support profit growth in FY25. Trading on a FY25 PE of 8x[3].
Raiz (ASX:**RZI**)	~1.5%	**Maiden EBITDA**	20% revenue growth saw RZI report a $0.5m EBITDA profit, up from a $3.2m loss in FY23. FY25 will benefit from the full-period cost initiatives undertaken in FY24 and the exit of loss-making Asian businesses, with RZI on track to report its maiden NPAT profit in FY25[3].

1) Veritas Securities FY25 estimate 2) Cannacord Genuity CY25 estimates 3) Henslow FY25 estimates

We see material re-rate potential for these names in the periods ahead. Many of these companies have been "work-in-progress" the last 12-24 months and as they graduate to become more consistent performers, they require less attention and concern (headaches!) from us as portfolio managers, and are nicely positioned for market re-rates. The nature of where we invest, in small nano and micro-cap companies do sometimes present us with operating challenges to be worked through (which COVID disruptions have accentuated) – but also provide us with the opportunity to capture meaningful re-rates as businesses come out the other side with improved fundamentals.

While several portfolio positions still require work in FY25, from a sizing perspective notably Careteq (ASX:**CTQ**) and Field Solutions (ASX:**FSG**) (both ~1 to ~1.5% positions) and our education stocks discussed below, the proportion of the portfolio in this "work-in-progress" bucket where our thesis is yet to play out, is now substantially reduced from where it was 12 and 24 months ago. From a portfolio management perspective, this is pleasing, and was the biggest take-out for us from this reporting season.

<u>Core positions delivering</u>

Moving on to the balance of the portfolio, across most of our core positions that reported, we saw pleasing continued double digit revenue growth and profits in line with our expectations and market guidance, from names such as

- Prime Financial (ASX:**PFG**) - revenue growth of 21% ($41m) and Underlying EBITDA of $10m (up 18%);
- Advanced Braking (ASX:**ABV**) - revenue growth of 12% and NPAT up 16%;
- Count Limited (ASX:**CUP**) – revenue growth of 22% and organic EBITA growth of 11%;
- Energy One Limited (ASX:**EOL**) - revenue growth of 17% and ARR up 16%;
- Austco Healthcare (ASX:**AHC**) - organic revenue growth of 17% and organic EBITDA growth of 92%; and
- Tambla Limited (unlisted) – revenue growth of 15% and EBITDA growth of 30%.

Education/International students' exposure

The biggest disappointment during the month came not from a company but from the Federal Government's proposed introduction of a capping regime for new overseas student commencements. We have exposure to this market through our positions in EDU Australia (ASX:**EDU**) (~1.5% position) and AKG (~0.5% position). We don't usually make political commentary, but this poorly conceived public policy to us defies any common sense. Education is Australia's fourth-biggest export industry after iron ore, gas and coal, worth $48bn in 2023, which this legislation threatens to significantly disrupt. As the AFR noted, the proposed caps are a "*massive over-reach by a government trying to solve a political problem – perceptions that students add to the rental crisis – by scapegoating a group who can't vote and have no voice*". To illustrate the economic impact, international students generated nearly $15bn for the Victoria economy in 2023, supporting around 63,000 jobs, and not being a mining state, is Victoria's largest export industry. According to the Victorian Treasurer, the changes put at risk almost $5bn worth of revenue and some 12,000 jobs in Victoria alone.

To make this even more frustrating for EDU, after four challenging years post COVID, EDU were just picking up momentum. EDU reported revenue up 64% to $17m for the 6 months to 30 June, and a return to profit. As a reminder, EDU is supporting and educating Australia's next generation of early childhood educators, allied health workers and aged care professionals – occupations that Australia is desperately in need of, and that the government had previously identified as wanting to attract and retain on permanent residency pathway. However, the proposed legislation will allow for only 200 new overseas students to enrol in 2025, compared to greater than 1,000 EDU is expected to enrol this year through their Ikon colleges. If this cap is maintained for three years, EDU's cohort of Bachelor of Early Education international student graduates will fall by more than 80%.

We are all for well-constructed public policy that controls shonky operators and low-quality courses. But ill-thought-out legislation that hurts the best performing and highest quality operators the most is hard to fathom. We hope commonsense will prevail and there will be changes prior to the legislation receiving senate approval. Already we are seeing increasing signs of push back against this poor policy, and we are hopeful that more positive policy settings that support high quality operators like EDU will emerge.

In summary

This was a solid reporting season for the portfolio, in fact, probably one of the most positive for some time. As highlighted above, many of our positions have demonstrated significant improvement in their fundamentals, achieving milestones that make them higher quality and more valuable businesses. We can see pathways to substantial value uplifts for these names. The number of positions causing us 'headaches' in the portfolio in the post COVID period has significantly reduced.

Our larger core positions are executing well, and delivering strong double digit revenue growth, and for the most part remain attractively priced, with some positions exceptionally attractively priced. We remain absolutely focussed on owning under-the-radar, under-owned, under-valued positions where we can see meaningful upside.

We are optimistic about the period ahead, and we thank you for your continued support.

Kind regards

Steven, Michael, Chris & Roger
DMX Asset Management

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	+0.96	**-11.4**	**-7.2**
2023	+1.12	-5.17	-4.52	+0.47	-3.94	-2.30	+8.55	-0.91	+2.56	-4.86	+4.06	+0.74	**-5.07**	**+8.4**
2024	+3.27	+0.77	+1.00	+0.06	+0.78	+6.18	+2.35	**+0.52**					**+15.8**	**+6.9**

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.