DMX Capital Partners Limited
July 2024 – Investor Update

An investment company managed by:
DMX Asset Management Limited
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DMXCP directors: Roger Collison
Dean Morel (Chair)
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Opening NAV (30 June 2024) [1,2]	**$2.5824**
Closing NAV (31 July 2024) [1,2]	**$2.6431**
Fund size (gross assets)	$26m
% Cash held - month end	3%
Number of positions	44
Gearing	Nil

1-month return	2.4%
3-month return	9.5%
12-month return	16.0%
3-year return (CAGR p.a.)	2.5%
5-year return (CAGR p.a.)	15.7%
Since inception (*9 years, 4 months)* (CAGR p.a.)	15.6%
Since inception (*9 years, 4 months*) (cumulative)	286.51%

*DMXCP Share price = Closing NAV (**$2.6431**), 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 2.4% (after all accrued fees and expenses) for July 2024. The NAV as at 31 July 2024 was **$2.6431**, compared to $2.5824 as at 30 June 2024.

Australian equity markets were generally stronger during July - the All Ordinaries was up 3.8% while the Small Ordinaries increased 3.4%. The Emerging Companies Index was marginally up 0.2%.

Key contributions for July came from Advanced Braking (ASX:**ABV**) which was up 29%, reporting a strong full year result, while PharmX (ASX:**PHX**) increased 29% and Beonic (ASX:**BEO**) was up 48%. On the other side of the ledger, after several months of strong contribution, Findi (ASX:**FND**) traded down ahead of its FY25 profit guidance announcement (which was released on 1 August and was in line with expectations).

Thoughts as we head into FY25

A core tenet of our investment approach is to be committed long term investors, illustrated by the number of our holdings that we have owned for more than five years. In many cases, given the illiquid nature of where we invest, we have limited choice, as with many of our substantial positions the reality is we cannot easily trade out of them. These illiquidity constraints and our long-term positioning do expose us to short-term company missteps, which, while we seek to avoid as much as possible through our due diligence and sizing, is inevitably part in parcel of small cap investing.

Over the last three or so years, the operating environment for smaller companies has had its own unique investing challenges – COVID saw, particularly for technology and consumer facing companies, a period of high revenue growth driven by heightened levels of technology investment and consumer demand. A number of small companies increased their cost bases with the expectation of this continued strong revenue growth. Compounding this was a period of high-wage and cost inflation. As the COVID inflated revenue growth petered out, various companies have been required to adjust their enlarged cost bases downwards which has taken some time. As investors, it has been somewhat challenging trying to forecast cash flows of many small companies, given these volatile revenue and cost lines.

With those COVID driven fluctuations and operating challenges now having been fully cycled through, we are seeing more stable financial performance across many of our small companies, and we (and the market) have a better sense as to how these growing small businesses can perform in a more normalised operating environment.

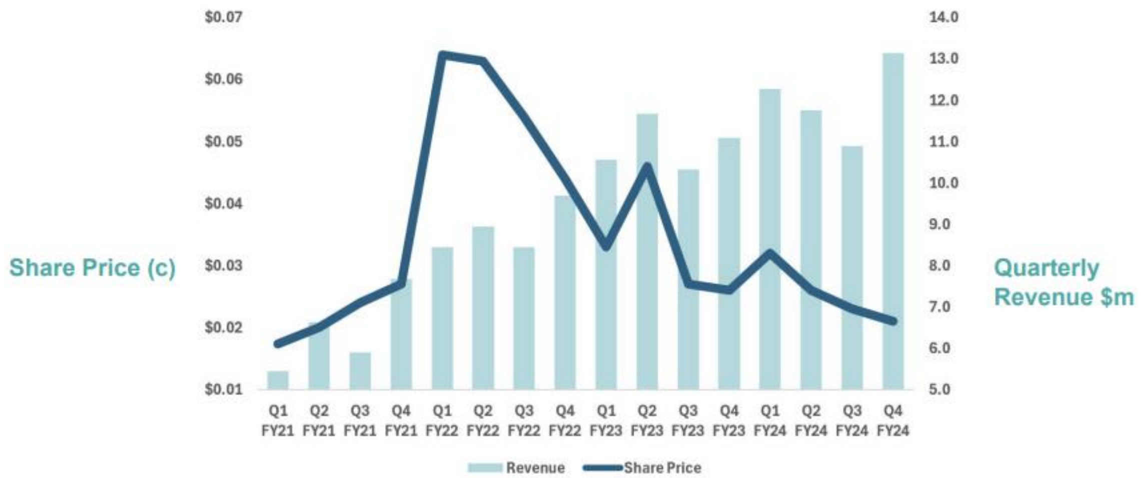
During July, we saw several notable results from two of our long-term core positions, which, having navigated through some of those COVID challenges, are now delivering the results (NPAT profits) that we had envisaged when we purchased them, albeit 12 – 24 months later than expected.

- Pure Profile (ASX:**PPL**)

We first acquired shares in PPL in 2021 when its share price was ~3c. Annual revenue growth at the time was ~25%. We had expected that continued revenue growth from global partnerships and PPL's SAAS audience builder product and stronger margins would lead to accelerated EBITDA growth with PPL quickly becoming profitable. After our initial purchase, growth did trend higher, with PPL recording impressive 60% revenue growth in Q1 FY22, causing its share price to more than double to ~7c. However, as some of the COVID fuelled tailwinds eased and the operating environment became more challenged, growth moderated in 2022 and 2023 from those levels seen in 2021. Additional investments in sales staff impacted margins while a very generous share-based management compensation scheme combined to restrict PPL's reported profit relative to our initial expectations.

While PPL's revenue and key financial metrics have generally been moving in a positive direction during our holding period, the business has taken longer than we initially expected to establish a profitable operating model. This slower-than-anticipated growth has led to a decline in market interest and a downward trend in the share price, as shown below.

PPL Share Price (c) vs Quarterly Revenues ($m)



Today, although it took some time, pleasingly PPL is now a profitable business with strong sustainable growth settling (post COVID) in the 10-20% range. As a result of strong growth in UK and SE Asia, PPL's Q4 saw record quarterly revenue of $13m, up 18%; while this growth rate was lower than what was achieved during the COVID period, it is still very respectable (and off a much higher base). Somewhat counter intuitively, at the same time as delivering this record performance, the PPL share price was trading at a 3 year low; such is the nature of the micro-cap market that we are currently in. PPL's inaugural FY24 profit result reported in July represents an incremental improvement in NPAT from FY23 of ~$2m, and we expect that a similar level of profit growth to be achieved in FY25.

From our perspective, the PPL business is in a far stronger position today than when we first acquired shares at higher prices over three years ago. Annual revenues have more than doubled (all organic growth) from ~$24m to $48m. With strong momentum, a fast-growing offshore business and a clear focus from here on growing operating leverage and profits, we think PPL's current EV of just north of $20m reflects the market pricing in very little future success and provides us with material upside.

- Medadvisor (ASX:**MDR**)

We acquired our initial position in MDR in 2021. We were attracted to its significant market opportunity in the US, capitalising on large pharmaceutical companies looking to transition their $20b annual spending on medication adherence to the innovative and smarter digital adherence solutions that MDR offers. MDR's revenues were approaching $70 million. Our thesis was that, with continued growth supported by favorable market conditions, operating leverage would drive strong operating profits from this substantial revenue base.

COVID bought its own unique challenges to MDR. Following the acquisition of a significant US based acquisition (Adheris) in 2020, travel restrictions made it challenging for the Australian based executive team to properly manage the integration and drive the performance of the US business. It wasn't until a board & management change and the appointment of a US based CEO in mid-2022 that we saw a real commitment and ability to drive profit from the business.

The new MDR management team has been able to capitalise on the opportunity and drive strong growth. After recording revenue growth of 45% in FY23 ($98m), in FY24 MDR has reported revenue of $122m, up an impressive 25%, and pleasingly MDR also, like PPL, reported its inaugural NPAT profit. This is a tremendous improvement on FY23's NPAT loss of $10.5m.

While MDR is now profitable, the opportunity over the next three years is to continue to drive strong revenue growth and improve margins through a significant (~$15m of overheads) cost out program. Although not cheap based on current earnings, with near term revenue broker expectations of $150m+ and EBITDA margins of 20-30% being targeted following its cost restructuring, should see MDR over time becoming a highly profitable business. Also, during July, we saw large cap medical products company Ebos (ASX:**EBO**) pay up for a further 5% position in MDR, taking their holding to 10%, highlighting the strategic interest in, and corporate potential of, MDR.

Investing in small caps is a journey – one that we commit to when we buy shares in a portfolio company. Inevitably, progress over this journey will have its challenges and targets will take longer than management expects. While this can be frustrating as investors, if the trajectory remains positive and we remain confident in the opportunity and, importantly, management's ability to drive sustained improvement in its fundamentals (and thus long-term value), we are happy to stay on the journey. For both PPL and MDR , despite some COVID driven and operational challenges that has seen our initial expectations missed, we have added to our holdings when we were confident that their fundamentals were improving, while their share prices were weakening/weaker than our entry price. And in the case of both PPL and MDR, we are confident that the journey still has some way to play out – we look forward to what the results in FY25 & FY26 and beyond will bring (although there is real potential both businesses will be taken over before we have a chance to see them really hit their strides).

More broadly, as the fundamentals across our portfolio have improved over the last 12 – 24 months, and as we have been able to buy some promising profitable businesses at attractive prices while the nano/micro market was in the doldrums, today across our portfolio, our top 25 equity positions are NPAT profitable. The proportion of the portfolio that is not profitable (all <2% positions and ~10% in aggregate) in names such as Raiz (ASX:**RZI**) and Aeeris (ASX:**AER**) continue to be well capitalised and are making reasonable progress towards profit targets.

With limited other investors in this space, we are pleased to be able to play a role in supporting small, inefficiently priced, genuinely under-the-radar Australian success stories through our long-term supportive capital and our constructive engagement with boards and management. We are enthused by this strategy, and confident that the strategy will continue to generate long term returns to our investors.

On that note, we also really want to thank all our investors for your long-term support, and for the confidence you have shown in us to enable us to undertake this strategy.

Kind regards

Steven, Michael, Chris & Roger
DMX Asset Management

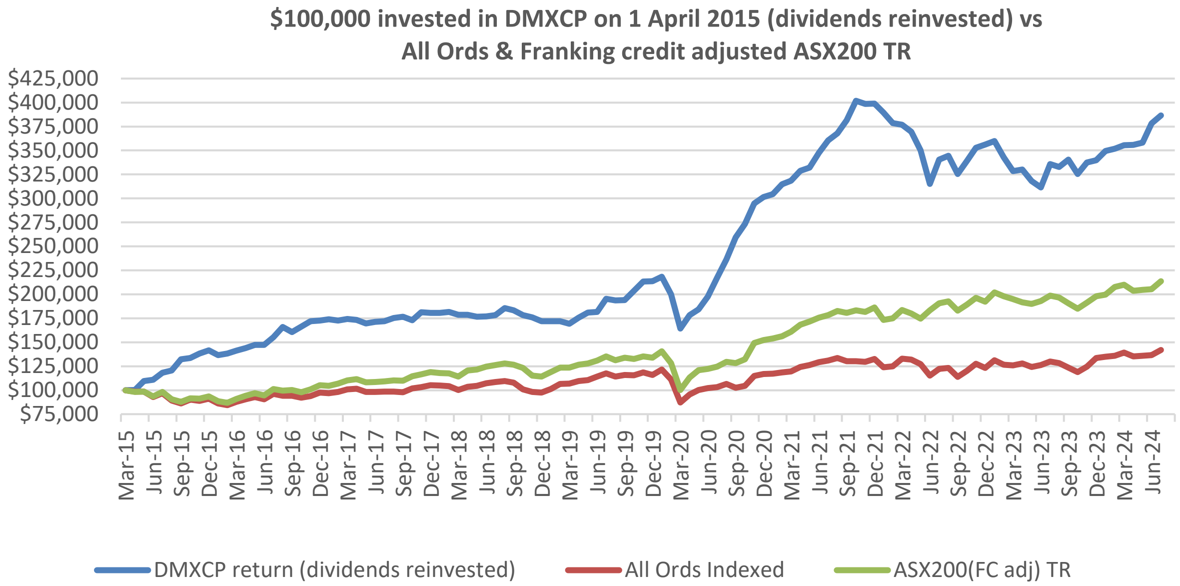
Note 1: Net asset value (NAV) is after income tax payable but includes an estimate of franking credits available. Refer note 4, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Franking credits per share are franking 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**						**+15.2**	**+6.3**

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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