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# DMX Capital Partners Limited
## December 2024 – Investor Update

An investment company managed by:
**DMX Asset Management Limited**
ACN 169 381 908 AFSL 459 120
13/111 Elizabeth Street, Sydney, NSW 2000
DMXCP directors: Roger Collison
Dean Morel (Chair)
Steven McCarthy

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|---|---|
| **Opening NAV (30 November 2024)** [1,2] | **$2.5465** |
| **Closing NAV (31 December 2024)** [1,2] | **$2.5030** |
| Fund size (gross assets) | $28m |
| % Cash held - month end | 4% |
| Number of positions | 47 |
| Gearing | Nil |

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|---|---|
| 1-month return | -1.7% |
| 3-month return | 4.4% |
| 12-month return | 22.7% |
| 3-year return (CAGR p.a.) | 1.1% |
| 5-year return (CAGR p.a.) | 14.1% |
| Since inception (*9 years, 9 months*) (CAGR p.a.) | 15.6% |
| Since inception (*9 years, 9 months*) (cumulative) | 311.2% |

*DMXCP Share price = Closing NAV (**$2.5030**), 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, $1.31 of dividends & franking credits have been paid.*

Dear Shareholder,

DMXCP's NAV decreased 1.7% (after all accrued fees and expenses) for December 2024. The NAV as at 31 December 2024 was **$2.5030**, compared to $2.5465 as at 30 November 2024.

Australian equity markets were mixed through December with the All Ordinaries decreasing 3.2%, the Small Ordinaries down 3.1% & the Emerging Companies Index up 0.7%.

**<u>December Developments</u>**

December was a quiet month for news. While there were some material positive contributors across the portfolio including Energy One (ASX:**EOL**, +23%), Raiz (ASX:**RZI**, +23% ) and Sequoia (ASX:**SEQ**, +13%), several positions that had performed strongly in recent months including Findi (ASX:**FND,** -20% ) and Pure Profile (ASX:**PPL**, -15%) drifted lower on no news impacting performance, while Medadvisor (ASX:**MDR** -27%) again detracted after a poor trading update.

We had provided our thoughts on MDR in our October monthly, where after a weak first quarter, we noted we had lost some confidence as we waited to see if the slowdown in growth was a blip or was something more enduring. Unfortunately, MDR's second quarter proved to be another negative data-point for the company, with management claiming first half sales have been pushed out to second half. With MDR's EV now down to ~$125m, and its ANZ business generating ~$25m ARR while its US business contributes $100m+ in revenue, we think MDR looks attractively priced at these levels on the sum of a parts basis, and note that a strategic party (EBOS) has recently paid 2x MDR's current share price (50c) to increase its stake to 10%. However, absent any corporate activity, time will be required for the market to regain confidence here and for us to see a share price recovery. Outside of the MDR update, the only other significant news during the month was a solid trading update from Austco Healthcare (ASX:**AHC**) which has continued its strong growth trajectory, guiding for organic revenue growth of ~19% and organic EBITDA growth of ~85% for the first half. Together with the contributions from AHC's recent acquisitions, first half EBITDA is expected to be up ~129%.

**<u>Thoughts as we enter 2025</u>**

We are enthused as we head into 2025. With interest beginning to return to micro and nano-cap companies, we believe many of our positions are fundamentally much stronger than they were two or three years ago, but their share prices have not yet re-rated to reflect these improved fundamentals, offering material upside potential across the portfolio.

In a recent "Investor Roundtable" interview for the Under the Radar Report (UTRR) newsletter, we were asked to nominate which three companies we are most excited about in 2025. This is an exercise that often leaves us with some egg on our face - with nano and micro-cap stocks it is difficult to predict when a re-rate may happen and what will drive it. And it is often the case that positions where we have lower conviction are the ones that surprise and actually perform
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the best. So, in answering the UTRR question, we focussed on the type of set up where, in our experience, notwithstanding the apparent risks, we believe the odds are likely to be in our favour: that is where the stock is very much unloved and illiquid and where the market has very low expectations (& low market caps) but which have the potential to surprise by delivering strong growth and profit results, which should drive material market re-rates:

1) EDU Australia (ASX:**EDU**) - We discussed the prospects for higher education provider EDU in our November update. EDU (which has a December balance date) in CY23 delivered a -$3m loss, however in 1H24 it returned to profit, recording a $1.6m turnaround in NPAT as student growth drove strong operating leverage. Enrolment growth has further accelerated during the second half of 2024 with its most recent trimester intake +363%, so we expect EDU to deliver even stronger incremental profit improvement in the second half. Then, in 2025 EDU will further benefit from the full year revenue and margin contribution from its 2024 cohort (as it will into 2026 and 2027 given these are 3 – 4 year degree courses). Based on its 2024 enrolment numbers (which are now locked in) we have modelled a significant NPAT result for EDU for 2025 to 2027. With a net cash balance at June 2024 of $6m, and a current market cap of just $14m, supported by both recent director buying and a share buy-back, based on our profit expectations for EDU for FY25, we believe there is potential here for a significant re-rate during 2025.

2) RPM Automotive (ASX:**RPM**) owns a number of automotive businesses with a substantial national footprint, including 26 retail locations and 11 distribution centres, generating revenues of over $130 million. The company sells wheels, tyres, accessories, and apparel products to both wholesale and retail customers, with tyre sales accounting for 70% of RPM's business. The opportunity to leverage its tyre distribution network and expand into tyre recycling gives RPM a compelling growth profile. With a new tyre recycling facility set to go live in 2024, RPM has transformed tyre recycling from a cost centre into a new revenue stream. If this recycling model proves successful and can be replicated across multiple states, the earnings profile is likely to accelerate, which has the potential to attract a new cohort of investors interested in participating in the circular economy. RPM has a current market cap of $18m and in FY24 generated NPAT of $4.6m, putting RPM on a historical PE of less than 4x, providing significant scope for a re-rate as it proves out its recycling capability and growth opportunity.

3) Structural Monitoring Systems (ASX:**SMN**) is on the verge of securing approval for its Comparative Vacuum Monitoring (CVM) technology, a smart structural monitoring system initially designed for the Aft Pressure Bulkhead on 737 aircraft. This innovative technology significantly reduces aircraft maintenance downtime. SMN has been collaborating with Delta to gain FAA approval for several years, with the company indicating that approval is expected in early 2025. This milestone will unlock revenue from Delta, and, when combined with its Avionics manufacturing business, is anticipated to drive strong profits for SMN in FY25 and beyond as its technology is rolled out to other airlines. On the back of these positive developments, SMN has provided FY25 EBITDA guidance of between $7.6m to $9.1m, which would deliver a maiden NPAT of ~$4m. With the successful commercialisation of its technology (after over 10 years) and a maiden profit, the market is likely to look at SMN in a much more favourable light.

We think delivery of the milestones as outlined above, that we are hopeful will occur during 2025, should be well received by the market, at a time when we are starting to see interest return to low market cap companies. And, in a similar vein to the above, we are also excited about various other names with upcoming significant potential catalysts, including Pure Profile (ASX:**PPL** – expecting a material uplift in NPAT), Raiz Investments (ASX:**RZI** – expecting a maiden NPAT) and Verbrec (ASX:**VBC** – restructuring complete and expecting dividends to be restored).

We have also been active recently initiating several new positions that we are bullish about for 2025, providing they meet the milestones that we are expecting. We will discuss these new positions in upcoming updates.

We look forward to 2025 and seeing our portfolio of companies continue to grow and add value. 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	+2.05	+1.59	+4.49	**-1.71**	**+22.7**	**+7.6**

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.