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# DMX Capital Partners Limited
## January 2025 – Investor Update

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

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|---|---|
| **Opening NAV (31 December 2024)** [1,2] | **$2.5030** |
| **Closing NAV (31 January 2025)** [1,2] | **$2.5709** |
| Fund size (gross assets) | $29m |
| % Cash held - month end | 3% |
| Number of positions | 48 |
| Gearing | Nil |

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|---|---|
| 1-month return | 2.7% |
| 3-month return | 5.5% |
| 12-month return | 21.8% |
| 3-year return (CAGR p.a.) | 2.8% |
| 5-year return (CAGR p.a.) | 14.0% |
| Since inception (*9 years, 10 months)* (CAGR p.a.) | 15.7% |
| Since inception (*9 years, 10 months*) (cumulative) | 321.1% |

*DMXCP Share price = Closing NAV (**$2.5709**), 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 increased 2.7% (after all accrued fees and expenses) for January 2025. The NAV as at 31 January 2025 was **$2.5709**, compared to $2.5030 as at 31 December 2024.

Australian equity markets were strong through January with the All Ordinaries increasing 4.6%, the Small Ordinaries up 4.3% & the Emerging Companies Index up 0.4%.

**<u>January Developments</u>**

Heading into February half-year reporting it was pleasing to see continued positive operating momentum reported across many of our portfolio names including two profit upgrades, which we discuss below.

There were a number of strong contributors to performance during the month including Asset Vision (ASX:**ASV**, +50%), Raiz (ASX:**RZI**, +35%) and EDU Australia (ASX:**EDU**, +26%). General Capital (NZX:**GEN)** a position initiated during the month after a sell down by an exiting substantial shareholder, and which we discuss in the DMX Australian Shares Fund monthly report, was up 49%. Losses were generally contained, although Findi (ASX:**FND,** -9%) and Medadvisor (ASX:**MDR** -18%) had some impact, while Datadot (ASX:**DDT**) fell 25% on ~$2,000 of trades.

In recent months, as previously noted, we have significantly reduced our previously over-sized FND position. Together with other portfolio trading activity, we are pleased with how balanced our portfolio now is, and we are happy with how the portfolio is positioned as we enter reporting season. In our February investor update next month, we will set out our top 10 holdings and detail how they reported.

**<u>Profit Upgrades</u>**

While January is typically a quiet news month, we did see two profit upgrades: Pure Profile (ASX:**PPL**) and BSA Limited (ASX:**BSA**).

We have written enthusiastically about the prospects for PPL in our recent monthly updates, and its second quarter update which was released in January more than met our expectations. Growth outside of Australia increased from 17% in Q1 to 44% in Q2, delivering PPL overall revenue growth of 22% for the half. This offshore growth is important for PPL, given its dominant market position in Australia, so to deliver 44% growth (organically) is particularly encouraging sign of PPL's growing global presence and market penetration outside of Australia. Offshore revenue now comprises 45% of PPL's total group revenue, providing the business with both geographical diversification and a significant growth opportunity. PPL's strong Q2 revenue growth delivered Q2 EBITDA growth of 79% to $1.7m, while its EBITDA margin increased 3ppts to 11%, highlighting PPL's emerging operating leverage. As a result of this strong second quarter, PPL
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has upgraded its full year revenue expectations to $57m to $58m (previously $55m to $57m) and EBITDA to $5.2m to $5.8m (previously implied $5.0m to $5.7m). With $3.3m of PPL's forecast FY25 EBITDA already delivered in H1, only $1.9m-$2.5m is required in the second half to meet its guidance. While Q3 is seasonally weaker, we think there is a good chance PPL upgrades its EBITDA guidance again before year-end.

Technical services contractor BSA also delivered a strong 2Q with EBITDA of $7.5m, up 31.5%. Having targeted double digit margins for several years (FY24 was 8.7% and FY23 was 6.8%), BSA achieved this target in Q2, recording a very healthy EBITDA margin of 10.5%. BSA expects its current profitability run rate to continue through the remainder of FY25, and for improved margins throughout the year. As a result, BSA increased its FY25 EBITDA guidance to $26m - $28m (previously $24m - $27m). Similar to PPL, BSA has already now locked in more than half of their full year profit guidance in the first half. BSA typically sees a significant portion of its EBITDA convert to cash. Assuming the upcoming renewal of its key NBN services contract, with its debt and previous legal liabilities now fully extinguished, BSA will have a balance sheet with substantial firepower for growth or capital management initiatives.

4C Quarterly Cash Flow Reports for the 3 months to 31 December 2024

Companies that continue to report negative cash flows are required by the ASX to lodge quarterly cash flow statements, for such time until they can demonstrate to the ASX sustained positive cash flows and receive relief from this requirement. In recent periods, we have seen the likes of holdings Pure Profile (ASX:**PPL**), Kinatico (ASX:**KYP**), Raiz (ASX:**RZI**), Pharmx (ASX:**PHX**) and Datadot (ASX:**DDT**) all "graduate" from having to report quarterly, following pleasing improvements in their cash flow. In addition, other positions that were previously subject to this requirement have been taken over in the last 12 months: Ansarada (ASX:**AND**) and Schrole Corp (ASX:**SCL**). As a result, our portfolio today now has far fewer companies that are subject to these quarterly reporting requirements – we believe this reflects an improvement in the overall fundamentals and quality of our portfolio.

Among our top 25 largest positions, only one holding (Advanced Braking (ASX:**ABV**)) continues to report quarterly cash flows – and that is a company that is now sustainably profitable and cash flow generative. The smaller weighted positions, outside of our top holdings, that are required to report quarterly cashflows had a mixed range of results for the 3 months to 31 December 2024. These included RMA Global (ASX:**RMY**) which delivered its first ever positive cash flow quarter result since listing in 2018, while Medadvisor (ASX:**MDR**), which we have discussed in previous reports, delivered a disappointing quarter on the back of declining vaccination program revenues in the US. We were pleased to see Careteq (ASX:**CTQ**) report its maiden EBITDA, but a drawn out ATO claim continues to overhang sentiment. Aeeris (ASX:**AER**) reported a strong increase in recuring revenue, but its cost base has also significantly increased.

As we have found over the years, these types of small companies trading around breakeven can be challenging investments as they navigate a path to sustained profitability, but we consider the rewards to be worth it with significant upside potential from these low market caps, if the companies do get it right. For example, during the month we saw small SAAS company Asset Vision (ASX:**ASV**) have a strong share price increase on the back of reporting continued profit and growth – the ideal execution that we are after. We give these companies some leeway to execute, knowing that inevitably it takes longer than we and the market would like. We continue to believe in the opportunities among these types of companies, and our ability to add value in this part of the market, but as noted above, we are conscious of the risk and limit our portfolio exposures accordingly.

As we move into February and half year reporting, there will be a number of reports that we will be watching closely, including EDU (strong half of profit expected), PPL (a material uplift in NPAT expected), RZI (material uplift in profit expected), and Verbrec (ASX:**VBC** – potential restoration of dividends). And after weak first halves in FY24, we are expecting to see material turnarounds from the likes of Energy One (ASX:**EOL**), Kip McGrath (ASX:**KME**), Laserbond (ASX:**LBL**), Count (ASX:**CUP**) and Prime Financial (ASX:**PFG**).

We thank you for your continued support and look forward to updating you next month on the results from reporting season.

Kind regards

Steven, Michael, Chris & Roger
DMX Asset Management

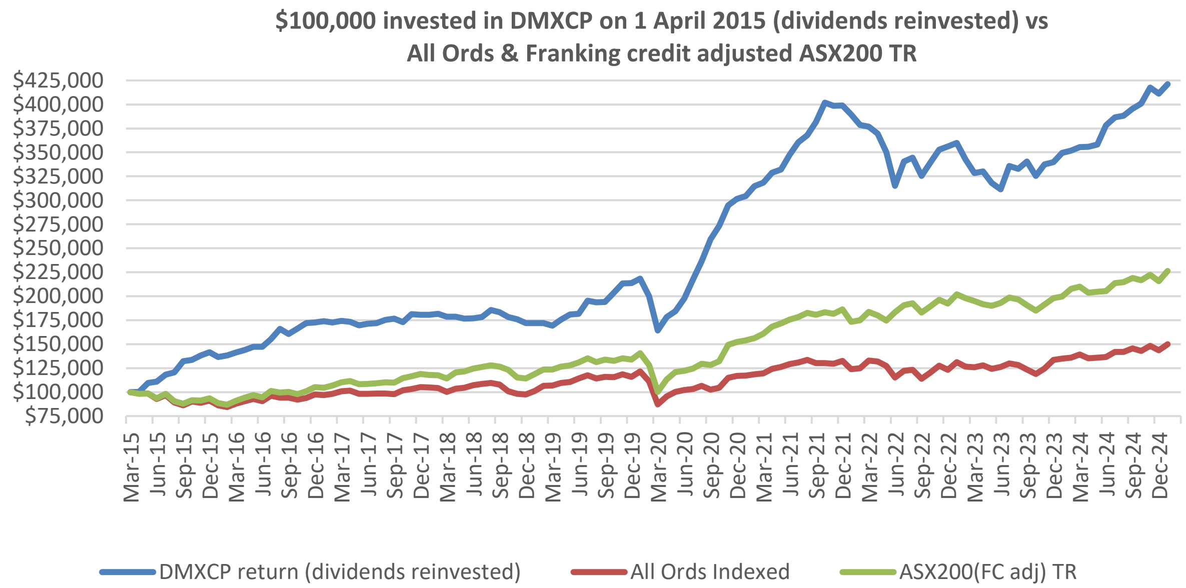
Note 1: Net asset value (NAV) is after income tax payable but includes an estimate of franking credits available. Refer note 4, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Franking credits per share are franking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

<u>Appendix 1: Performance</u>

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**
2025	+2.72												**+2.7**	**+4.6**

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.



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