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# DMX Capital Partners Limited
## February 2025 – 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 (31 January 2024)** [1,2] | **$2.5709** |
| **Closing NAV (28 February 2025)** [1,2] | **$2.5265** |
| Fund size (gross assets) | $29m |
| % Cash held - month end | 3% |
| Number of positions | 48 |
| Gearing | Nil |

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|---|---|
| 1-month return | -1.7% |
| 3-month return | -0.8% |
| 12-month return | 18.9% |
| 3-year return (CAGR p.a.) | 3.2% |
| 5-year return (CAGR p.a.) | 15.1% |
| Since inception (*9 years, 11 months)* (CAGR p.a.) | 15.4% |
| Since inception (*9 years, 11 months*) (cumulative) | 314.6% |

*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 February 2025. The NAV as at 28 February 2025 was **$2.5265**, compared to $2.5709 as at 31 January 2024. February was a tough month for Australian equity markets with the All Ordinaries down 4.5%, the Small Ordinaries falling 3.0% & the Emerging Companies Index decreasing 2.0%.

**February Developments**

While we headed into the month with optimism, February turned out to be a challenging month. We saw some very positive portfolio updates where the share prices responded strongly, but also had several positions that delivered frustrating results. We were also on the wrong side of a couple of left field surprises that negatively impacted the portfolio. And after reaching a record during the middle of February, market sentiment turned very much negative in the second half of the month as geopolitical uncertainty began to weigh on markets.

Standout reports/updates were delivered by EDU Australia (ASX:**EDU**, +50%) and Energy One (ASX:**EOL**, +45%), both of which are top 10 portfolio positions discussed below, while Asset Vision (ASX:**ASV**, +50%), impressively, backed up its 50% increase in January with another 50% gain in its share price in February. ASV reported a 26% increase in its recurring revenue for the first half and announced that its ARR had subsequently increased a further 10% since 1 January 2025.

Key disappointments, relative to our expectations came from Verbrec (ASX:**VBC**), where a key project deferral impacted profit, with VBC down 32% for the month. Raiz (ASX:**RZI**) was another one that fell short of our expectations, with an increase in operating expenses saw it unable to deliver the NPAT we had hoped. All other metrics though were positive, so we are hopeful of RZI reaching that NPAT milestone in H2.

In addition, outside of reporting, during the month, contractor BSA announced that it was unsuccessful in having its significant NBN contract renewed. We had taken a small position in BSA's options to provide us with some exposure to what we expected was going to be a successful contract renewal & the subsequent uplift in the share price it would have generated. The non-renewal took the market and us by surprise, and given how far the option exercise price is from the current BSA share price (80c vs 9c) these options are likely to expire out of the money in April. And in another unexpected outcome, Field Services Group (ASX:**FSG**) which had been in suspension since December, announced the appointment of receivers following an unsuccessful attempt to raise capital. Whilst FSG's debt had increased materially over the last 12 months, our assumption, which in hindsight we misjudged, was FSG would be able to raise capital to restore its balance sheet. Whilst we understand they were close to securing a capital injection, FSG was unable to retain the support of its key lender, resulting in an extremely disappointing outcome. BSA and FSG each negatively impacted the portfolio by ¬1% during the month.

Notwithstanding some disappointments, on the whole the portfolio reported solidly, in particular our key holdings, which we set out below.
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DMXCP Portfolio top ASX holdings update – 28 February 2025		
Company	**Weight**	**Notes**
Energy One Limited (ASX:**EOL**)	~5%	EOL reported a much-improved underlying NPAT of $3.9m. It comes after a couple of messy years where the company has been building out its 24x7 operating centre, dealing with a cyber attack, endured wage inflation, and reorganizing senior management. ARR increased 18% driven by the strong sector tailwinds in renewable energy in Europe. Excitingly, management expect 15-20% ARR growth going forward and 50% of new ARR to drop to EBITDA, setting the company up for rapid EPS growth and 30% cash EBITDA margins. To quote CEO, Shaun Ankers, EOL now have 'clear air' .
Findi (ASX:**FND**)	~5%	FND had a particularly eventful month, finalizing its recent TATA acquisition, extending its agreement with Union Bank of India and, most importantly, confirming it was on track to meet its FY25 EBITDA guidance. FND expects revenue to now grow 140% in FY26, through a combination of organic growth in its traditional business, expansion of its white label business and contributions from its recent acquisitions. This revenue growth will drive substantial uplift in EBITDA, supporting FND's expectations of a $1b+ IPO value from its Indian subsidiary, of which FND's share is ~70% - a substantial uplift on FND's current EV.
Pureprofile (ASX:**PPL**)	~4%	As foreshadowed, PPL delivered a very strong result with a $1.6m NPAT (up from 0). The result was underpinned by international revenue growth of 30% - Management has suggested this level of growth is expected to continue. 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.
Sequioa (ASX:**SEQ**)	~4%	SEQ's half year report highlighted its strong balance sheet with over $16m in cash and listed securities as well as ~$10m in unlisted investments. The first half saw encouraging progress in its SMSF administration and document business, although its advice business experienced weaker margins. SEQ continues to trade on a 10%+ dividend yield (fully franked) and we expect EBITDA of $8m to be delivered for the full year.
EDU Australia (ASX:**EDU**)	~4%	EDU (which has a December year-end) reported a FY24 NPAT of $2.6m - a material improvement on $3.0m loss in FY23. After a breakeven result in 1H24, all of this NPAT was delivered in 2H24. At 30 June 2024, EDU's key business, Ikon, had 1,709 students. Ikon now starts FY25 with almost twice the level of students (3,232). On the back of that enrolment uplift, and the operating leverage in the business, we are expecting EDU to deliver a material increase on its $2.6m 2H24 NPAT profit in 1H25. With Ikon students undertaking 3-4year degree courses, we can model the expected cash flows of EDU over the short to medium term with some confidence, to support a strong DCF valuation thesis here.
Count (ASX:**CUP**)	~4%	CUP reported a strong underlying NPATA up 209% to $6.9m, assisted by the full year contribution from its Diverger acquisition. Pleasingly, post-acquisition EBITA margins have increased from 13% to 19%, with earnings now balanced across its accounting, advice and services divisions. CUP is the 2nd largest wealth licensee in Australia and trades on < 10x PE.
Prime Financial (ASX:**PFG**)	~4%	After a weak H124, PFG reported a much improved first half, with EBITDA up 102% on last year, driven by strong contribution from acquisitions and lower one-off costs. With PFG's FY25 guidance of 15-20%+ Revenue & Underlying EBITDA growth confirmed, PFG will achieve its $50m revenue target in FY25, while it trades on ~10x PE.
Austco (ASX:**AHC**)	~3%	AHC have continued their strong momentum from 2H24 with revenue up 62% and NPBT up 270% to $3.9m. While that revenue growth was aided by acquisitions, we estimate organic growth was in the mid-20% range. Despite the strong growth over the last year, AHC have managed to maintain their contracted order book which will provide revenue visibility in the years ahead. Despite a rerate, AHC still trades on an undemanding mid-teens valuation with strong organic growth and global revenues.
Evolve (ASX:**EVO**)	~3%	EVO reported their FY24 result with 11% growth in underlying EPS to 7.9c. While occupancy dropped across the industry and EVO, their margins remained strong as there were less under two's as a proportion of total children than 2023 (under two's require a higher staff cost per child). We expect a strong result for FY25 as acquisitions in 2024 drive earnings. We will be watching the regulatory backdrop closely to see if the activity test is abolished in January 2026. This is expected to drive demand in the sector, and be very positive for EVO. In the meantime, EVO trades on a 9x PE and 7.5% fully franked yield.
Kip McGrath (ASX:**KME**)	~3%	KME delivered a much improved first half result with EBITDA of $3.4m up 46%, and reinstating its dividend. The result would have even been stronger but for its US business being impacted by funding delays following the US election. The highlight of the KME result was its cash generation, with CAPEX reduced from $2.7m to $0.9m. With KME typically having a much stronger second half, we expect KME to generate FY25 EBITDA of $8m+ and free cash for the year of $4m+. KME's EV is ~$24m.

These top 10 holdings represent ~40% of the portfolio by weight, and we have seen good momentum across these key holdings in the last 6 months. Strong earnings growth (100%+ increases in NPAT) in the first half were delivered by EOL, EDU, PPL and KME (all organic) and from AHC and CUP (benefitting from acquisitions). In addition to the strong earnings momentum, there is also clear value upside, with the likes of CUP, EDU, EVO, SEQ, PFG and KME all trading on ~10x NPATA or cheaper.

We are substantial holders in four of these companies (EDU, SEQ, PPL and KME) and we continue to engage pro-actively and positively with Management across these and other holdings. As we start to think about FY26, we would expect to see continued strong double-digit growth across all these top 10 names.

Outside of the top 10 we are enthused by the likes of Raiz (ASX:**RZI**), Senetas (ASX:**SEN**) and Kinatico (ASX:**KYP**) and the interesting upside we see in these names emerging over the next 6 to 12 months. On the other hand, there are several positions such as Medadvisor (ASX:**MDR**) and Laserbond (ASX:**LBL**) that still remain challenged and will require more patience.

Overall, we are pleased with how the portfolio is positioned as we head into a more uncertain economic and geo-political environment, with our portfolio, for the most part, Australian focussed and supported by undemanding valuations and strong growth profiles.

We thank you for your continued support and look forward to updating you next month.

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**
2025	+2.72	-1.73											**+0.7**	**-0.2**

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.