DMX Capital Partners Limited
May 2025 – Investor Update

An investment company managed by:
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Opening NAV (30 April 2025) (1,2)	**$2.4437**
Closing NAV (31 May 2025) (1,2)	**$2.5672**
Fund size (gross assets)	$28m
% Cash held - month end	2%
Number of positions	47
Gearing	Nil

1-month return	5.1%
3-month return	1.6%
12-month return	14.6%
3-year return (CAGR p.a.)	6.7%
5-year return (CAGR p.a.)	17.8%
Since inception (*10 years, 2 months*) (CAGR p.a.)	15.2%
Since inception (*10 years, 2 months*) (cumulative)	320.6%

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 increased 5.1% (after all accrued fees and expenses) for May 2025. The NAV as at 31 May 2025 was **$2.5672**, compared to $2.4437 as at 30 April 2025. Markets continued their recovery from their April lows as tariff and macro concerns dissipated, with the All Ordinaries finishing May up 3.8%, the Small Ordinaries increased 5.8% and the Emerging Companies Index finishing up 3.0%.

<u>May Developments</u>

Our performance in May was substantially driven by a 93% uplift in the share price of EDU Australia (ASX:**EDU**) which we discuss below. We also benefitted from a strong performance from Read Cloud (ASX:**RCL**) (+35%) after it reported a 214% increase in its NPAT for the half, while Energy One (ASX:**EOL)** continued its re-rate (+18%). Pure Profile (ASX:**PPL**) which fell 13% during the month was a significant detractor.

While markets were strong during May, with many companies benefitting from improved broader investor sentiment and market momentum, we were pleased to see that our performance was primarily driven by positive market reactions to improving company fundamentals. As we noted last month, while short term market volatility (both positive and negative) drives headlines, it is the progress of the fundamentals of our holdings that ultimately sustains longer term increases to the intrinsic value of the portfolio. We discuss some of these positive fundamental developments reported during the month below.

<u>EDU Australia (ASX:EDU) – thesis playing out</u>

We have written extensively about our enthusiasm for EDU in previous updates. In January 2025 we mentioned EDU as one of the stocks we were most excited about for 2025, noting "*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*."

During May, we were pleased to see our thesis confirmed when EDU released its first quarter (calendar year) results of $5.4m EBITDA and $2.9m NPAT, surpassing EDU's last year's entire NPAT of $2.6m in just one quarter. With this level of profit expected to continue for the rest of FY25 (and for FY26 & FY27), EDU is on track for an NPAT of >$10m. At the time of release of these results, EDU had a market cap of less than $20m.

With EDU moving into a strong net cash position, and entering a sustained period of significant profitability, we would have expected a material re-rate of the share price, and to reflect confirmation of EDU's much improved earnings expectations of ~$20m EBITDA / $10m NPAT. However, at the same time they released these results, EDU also advised the market of their intention to delist from the ASX, offering a 16.5c buy-back option for those shareholders who did not want to continue in an unlisted vehicle.

Following this announcement, we had multiple discussions with EDU board and management, and also canvassed a range of other EDU shareholders. Our view, which was consistent with a number of other EDU shareholders, was that this was not the right time to de-list the company, that the buy-back offer substantially undervalued the business and that our firm preference was to have EDU remain listed.

For the board's proposed delisting to take effect, it would have required a special resolution of shareholders to approve it (>75% of votes cast). Based on our conversations with other EDU shareholders, we were of the view that the required level of support for a delisting would not be achieved. The EDU board subsequently announced the withdrawal of their proposal. As a result, the EDU share-price has now re-rated to a level where we would have expected it to have moved to post its results, given the improvement in its fundamentals.

Much of the political heat around international students has died down post-election, and we view the re-elected Labour government as a positive for the sector. If EDU can use the significant cash that it will generate over the next 3-4 years to build out a more robust and diversified business so as to maintain/grow its current level of revenue (~$80m) and earnings ($20m EBITDA / $10m NPAT); even after a >150% rise since the start of the year, with a market cap of ~$40m, EDU still looks very cheap.

RPM Automotive (ASX:RPM) – investment in recycling turns costs into profit

Another small company that we noted at the start of the year that we were particularly enthused about was auto-parts distributor, RPM Automotive. During May, RPM provided full year guidance of $12m-$13m EBITDA (which we expect to generate $5m - $6m NPAT). RPM also held an investor day which we attended as it formally launched its used tyre recycling operations. With legislation governing the disposal of used tyres to protect the environment and ensure responsible waste management, RPM previously had to pay to have its end-of-life tyres to be taken away. RPM have now invested in the technology and equipment to recycle old tyres into shredded rubber which they are now selling and generating a profit margin on. Therefore, what in previous years was a cost line for RPM, from next year will now contribute a profit. With a market cap of $16m, RPM trades on a 3x PE. DMXAM increased its substantial holding in RPM during the month, and now owns ~11% of RPM.

Verbrec (ASX:VBC) – profit and cash-flows, with dividends coming

Engineering contractor VBC, which has a focus on renewable and transitional energy, confirmed a stronger second half after a disappointing first half, putting it on an $8m EBITDA / $5m NPAT run-rate, notwithstanding the Australian and US elections disrupting client demand during the year. We would expect a less disruptive, and stronger, FY26. With a market cap of <$20m, ~$6m in franking credits, $10m of tax benefits, an emerging software asset (which is being monetised with BHP its inaugural customer), and entering FY26 trading on a PE of <4x, we believe VBC is significantly mis-priced and represents compelling value. We are pleased to have become a substantial shareholder here. Much like RPM, we believe VBC can double its market cap and still be very cheap.

Low (sub-$20m) market cap companies

For a long time, EDU was an unloved nano-cap company. One of the key reasons the EDU directors put forward for the proposed delisting was that it was unable to attract investor interest, liquidity and a fair uplift in its market valuation. We believe that this thinking is flawed – it often requires patience, but market re-rates will inevitably come when companies deliver sustained improvements in their profitability. Despite this part of the market attracting less investors than in previous years, we believe there remains significant depth of competent fundamental investors in the market to re-rate (and often significantly) companies that are executing well and delivering strong profit growth. We note that EDU's market cap is now up more than 150% this year, and over 300% since EDU did its last buy-back at 6c just over 6 months ago - contrary to the EDU directors' assertions that the company was unable to attract investor attention. We also like to give the example of Findi (ASX:**FND**) which saw its market cap increase from less than $10m to more than $200m as its EBITDA went from $5m to $30m, with its share-price re-rating 800%+ in less than three years.

As a result, we do like those sorts of set-ups that are genuinely mis-priced, very unloved and under-owned but are fundamentally sound businesses with profit growth potential like EDU, RPM and VBC. Each of EDU, RPM and VBC are now generating revenues in excess of $75m generating material gross margin. In each of these companies DMXAM has patiently built positions over a period of time while the market has ignored this profit potential. Our substantial shareholding positions that we have built up, provide us some influence (as in EDU) should the need arise.

Concluding thoughts

There are many ways to make money in the market, but the small end of the market is an area where we believe we can offer a real edge and add real value over time, and provide our investors with exposure to genuinely different, under-owned companies with substantial re-rate upside from very low market caps.

Last month we mentioned a number of long term portfolio companies (with weightings between 2-5%) such as Austco (ASX:**AHC**), Prime Financial (ASX:**PFG**), Raiz (ASX:**RZI**), Pure Profile (ASX:**PPL**), Advanced Braking (ASX:**ABV**) and Kinatico (ASX:**KYP**) which are all now starting to deliver meaningful levels of profit which we expect will attract a broader range of new investors. The positions we have discussed in this month's update above (EDU, RPM and VBC) are also core portfolio positions that we think are attractive, genuinely under-the-radar holdings that we would expect significant portfolio growth into the future. We continue to be happy with how the portfolio is positioned and are enthused about the opportunities ahead and the inherent intrinsic value that we see in the portfolio.

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

Kind regards

Steven, Michael, Chris & Roger
DMX Asset Management

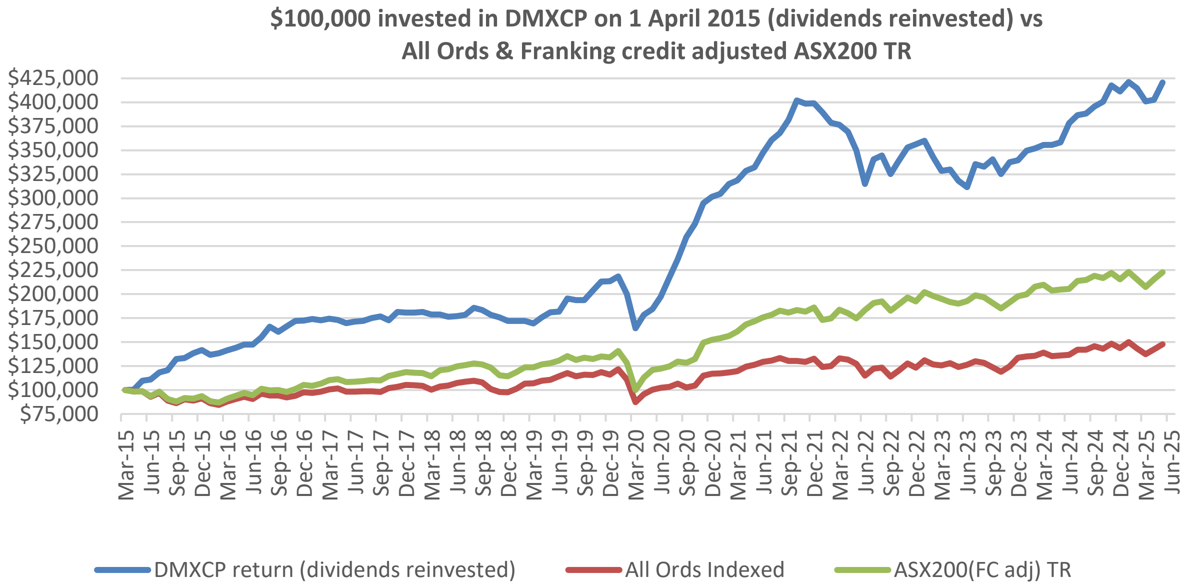
Note 1: Net asset value (NAV) is after income tax payable but includes an estimate of franking credits available. Refer note 4, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits

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**
2 025	+2.72	-1.73	-3.70	+0.46	**+5.06**								**+2.57**	**+2.85**

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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