# NGE Capital Limited

ASX : NGE

## AGM Presentation

6 May 2024

# Disclaimer

The information in this presentation is in summary form and should not be relied upon as a complete and accurate representation of NGE Capital Limited (**NGE Capital**) and or its various business activities. While management of NGE Capital have taken every effort to ensure the accuracy of the material in the presentation, the presentation is provided for information purposes only. No representation or warranty, express or implied, is or will be made by NGE Capital or its officers, directors, employees or advisers as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in, or implied by, this presentation, or as to the reasonableness of any assumption, forecasts, prospects or returns contained in, or implied by, this presentation or any part of it. The presentation may include information derived from third party sources that has not been independently verified.

**This presentation does not constitute investment, legal, taxation or other advice and the presentation does not take into account your investment objectives, financial situation nor particular needs. You are responsible for forming your own opinions and conclusions on such matters and should make your own independent assessment of the information contained in, or implied by, this presentation and seek independent professional advice in relation to such information and any action taken on the basis of the information.** This document is not, and does not constitute advice or an offer to sell or the solicitation, invitation or recommendation to purchase any securities that are referred to in this document.

This presentation should be read in conjunction with the latest Annual Report of NGE Capital and other periodic and continuous disclosure announcements that have been lodged by NGE Capital with the Australian Securities Exchange. To the maximum extent permitted by law, NGE Capital, its related bodies corporate, respective directors, officers, employees, agents and advisors, will not be liable in any way for any loss or damage suffered from the use of information contained in this document.

Past performance is not a reliable indicator of future performance.

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of NGE Capital and certain plans and objectives of the management of NGE Capital. Forward-looking statements can generally be identified by the use of words such as ‘project’, ‘foresee’, ‘plan’, ‘expect’, ‘aim’, ‘intend’, ‘anticipate’, ‘believe’, ‘estimate’, ‘may’, ‘should’, ‘will’ or similar expressions.

Any forecast or other forward-looking statement contained in this presentation involves known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NGE Capital, and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

The forward-looking statements included in this presentation involve subjective judgment and analysis and are subject to significant business, economic and competitive uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to NGE Capital. Given these uncertainties, you are cautioned not to place undue reliance on forward-looking statements. These forward-looking statements are based on information available to us as of the date of this presentation. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

This presentation is provided for informational purposes only and is subject to change without notice. Subject to any obligations under applicable laws, regulations or securities exchange listing rules, NGE Capital disclaims any obligation or undertaking to release any updates or revisions to the presentation to reflect any change in expectations or assumptions. Nothing in the presentation should be interpreted to mean that future earnings per share of NGE Capital will necessarily match or exceed its historical published earnings per share, or that there has been no change in the affairs of NGE Capital since the date of the presentation.

No part of the presentation may be distributed, disseminated or used elsewhere in any context without NGE Capital’s prior written consent.

References to dollars, cents or $ in this presentation are to Australian currency, unless otherwise stated.

# Company snapshot

- NGE Capital Limited (**NGE** or **Company**) is a Listed Investment Company (**LIC**) which offers investors exposure to an actively managed, concentrated portfolio of high conviction investments.
- Broad investment mandate, not restricted by geography, asset class, or security type.
- Focus primarily on listed ASX and international equities.
- Employ a bottom-up, fundamental approach to investment selection.
- Aim to generate strong risk-adjusted returns over the medium to long term.

Actively managed

Fundamental analysis

Concentrated, high conviction portfolio

Broad investment mandate

Target strong risk-adjusted returns

Heavily aligned management

# Company snapshot (cont.)

## Summary as at 30 April 2024

| | |
|---|---|
| Ticker | NGE |
| Share price | $1.075 |
| Shares outstanding | 35.7m |
| Market cap | $38.3m |
| NTA per share before tax | $1.296 |
| NTA per share after tax | $1.378 |
| NTA before tax | $46.2m |
| NTA after tax | $49.1m |

## Top shareholders[1]

| | |
|---|---|
| David Lamm | 11.22% |
| Raphael Lamm | 8.89% |
| Kuridale Nominees Pty Ltd | 5.25% |
| Adam Saunders | 4.91% |

1 Shareholders above 5% and Directors.

## Board of directors

| | |
|---|---|
| David Lamm | Chief Investment Officer |
| Adam Saunders | Portfolio Manager |
| Ilan Rimer | Non-Executive Director |

Significant management shareholding in the Company: backing our investment decisions, and aligned with shareholders.

# Investment philosophy

## 1 Target investments that can generate strong returns with an adequate margin of safety

- Individual securities can and do significantly deviate away from their fair value.
- Potential to generate strong risk-adjusted returns by investing in select securities at opportune times.
- Event-driven special situations can provide strong risk-reward opportunities (e.g. M&A, asset sales, strategic reviews, corporate actions such as spinoffs/demergers, changes in leadership, changes in strategy, and capital management announcements such as buybacks/return of capital/increased dividends/special dividends).

## 2 Aim to hold a high conviction, concentrated portfolio

- Only invest in a compelling opportunity, otherwise hold cash.
- Prefer to invest heavily in a small number of high conviction opportunities, than invest small amounts in a large number of less compelling investments.

## 3 Invest based on fundamental analysis

- Bottom up stock selection, focusing on the fundamentals of individual companies whilst keeping abreast of macroeconomic indicators and conditions that may directly impact those fundamentals.
- Conduct extensive proprietary research with a focus on:
  - **Board and management** – track record, skin in the game.
  - **Credit risk** – gearing, debt profile, interest coverage.
  - **Earnings** – free cash flows including timing and likelihood, margins, payout ratio, growth potential.
  - **Valuation** – multiples, discounted cash flow analysis, break-up value.
  - **Competition** – market share, industry position, market dynamics.

# Investment process

### Idea generation

- Screening
- Identify mispricing
- Leverage network of contacts

### Proprietary research

- Rigorous fundamental analysis
- Company meetings & site visits
- Speak to experts

### Assessment

- Qualify against investment philosophy
- Stress test valuation and assumptions
- Refine hypothesis

### Investment decision

- Buy, hold, sell, wait, do nothing
- Sizing and structure based on risk-reward payoff

### Monitor & exit

- Update assessment for new information
- Stay on top of the story

# A top performing LIC

## Growth in NTA per share

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 YTD[1] | Since inception[2] (p.a.) | Since inception[2] (cum.) |
|---|---|---|---|---|---|---|---|---|---|
| 26.8% | 21.4% | 11.2% | -8.0% | 25.1% | -5.2% | 25.0% | 11.7% | 13.4% | 154.2% |

Note: Returns are pre-tax and net of all expenses. FYE 31 December.

1 YTD to 30 April 2024.

2 From 30 November 2016, the date on which NGE became a LIC, to 30 April 2024.

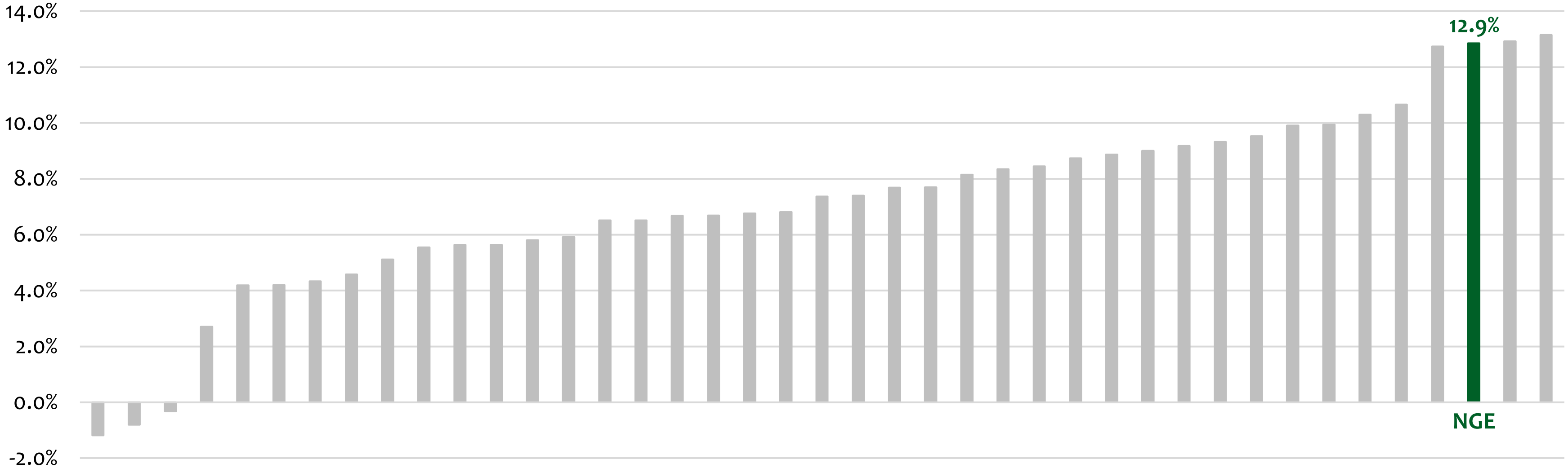
### Tax efficient investment vehicle

- NGE has recognised a ~$2.9m (~$0.082 per share) deferred tax asset as at 30 April 2024.
- However, in the aggregate NGE's potential future tax benefit equates to ~$7m or ~$0.20 per share.

### Net returns

NGE reports its returns after all fees and expenses.

## Annualised portfolio return since NGE inception – all ASX LICs[1]



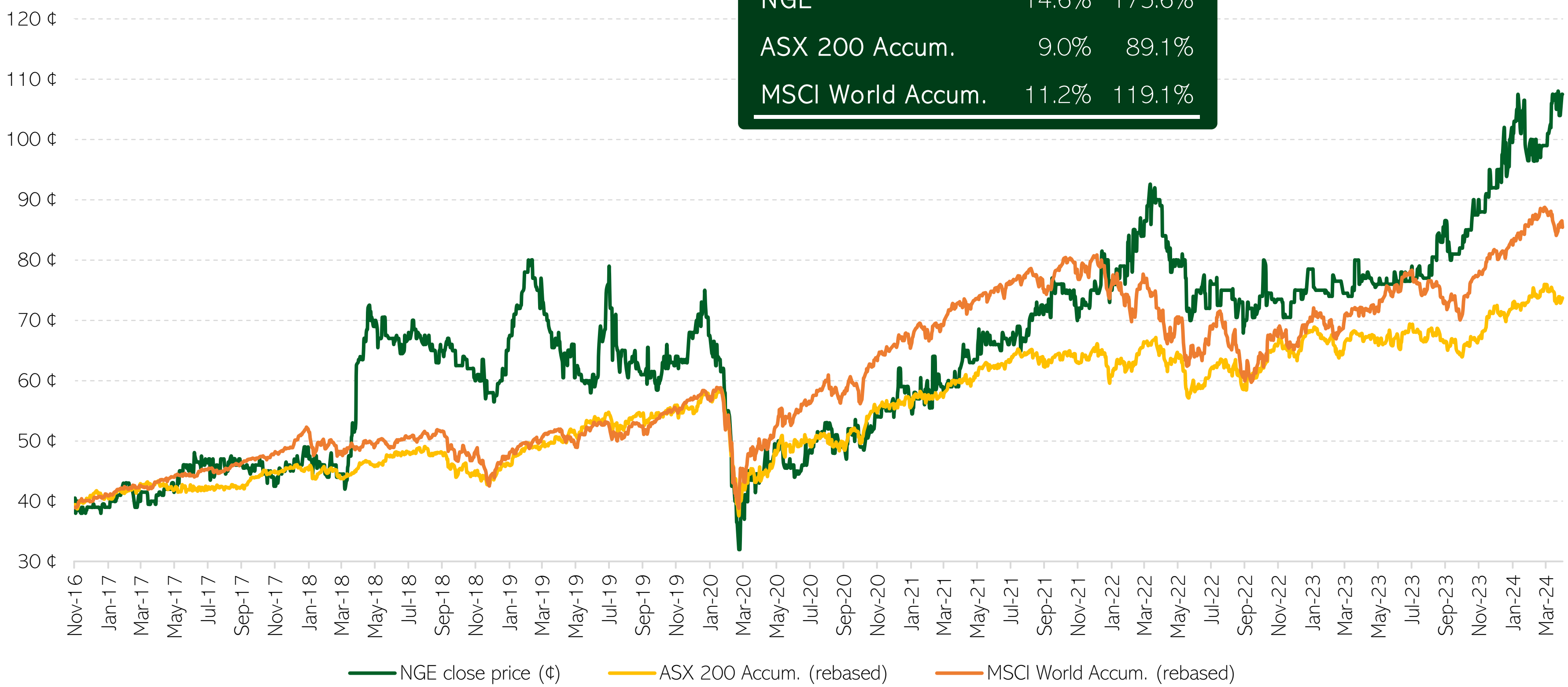

Note: Each bar represents the annualised return of an ASX-listed LIC between 30 November 2016, the date on which NGE became a LIC, and 31 March 2024. Returns comprise growth in NTA per share (pre-tax, after fees and expenses) and dividends grossed up for franking credits.

1 Peer comparison data comprises all ASX-listed equities-focused LICs with FUM of at least A$10m that were listed as at 30 November 2016.

# Performance

## Share price performance since inception[1]

| | Since inception (p.a.) | Since inception (cum.) |
|---|---|---|
| NGE | 14.6% | 175.6% |
| ASX 200 Accum. | 9.0% | 89.1% |
| MSCI World Accum. | 11.2% | 119.1% |




1 From 30 November 2016, the date on which NGE became a LIC, to 30 April 2024.

# Capital allocation considerations

**Historical tax losses**

- As at 30 April NGE has ~$28 million of Australian unused and unrealised losses (both income and capital).
- Losses were generated under a previous board and management team from the Company's prior activities as an oil and gas explorer in Papua New Guinea when the Company was called "New Guinea Energy Limited".
- NGE has received tax advice that these losses are available to be offset against future tax liabilities so long as NGE continues to satisfy the continuity of ownership test as set out in Divisions 165 and 166 of the *Income Tax Assessment Act 1997* (Cth).
- To date we have applied ~$24 million of income and capital losses to offset taxable profits.

**Implications: buybacks vs dividends**

- NGE is a tax efficient investment vehicle.
- Low franking credits balance (~$158k as at 30 April 2024) due to low corporate tax paid.
- Limited ability to pay fully franked dividends.
- We believe share buybacks via the on-market buyback facility make more sense than paying unfranked dividends at the present time, particularly given NGE's shares trade at a discount to NTA: more tax efficient, accretive to NTA per share, 7½ year track record of generating strong risk-adjusted returns.
- As at 30 April we have returned ~$3.19 million to shareholders via on-market share buybacks.

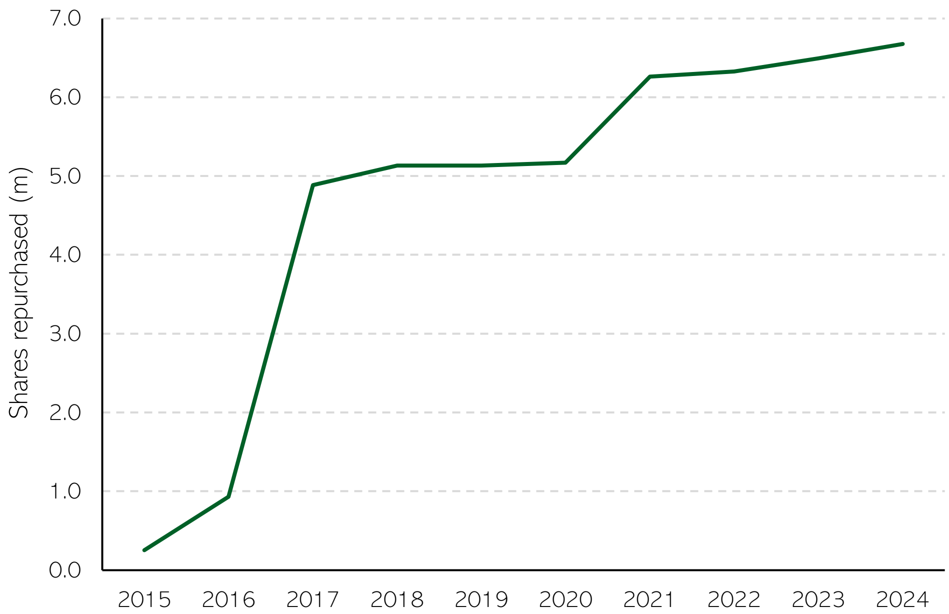
# Share buybacks

- NGE has bought back and cancelled ~6.67m shares at an average price per share of ~$0.479 since 2015.
- This equates to ~15.8% of the shares outstanding since the start of our buyback initiative.
- We estimate that the average buyback discount would be ~25-30% of the prevailing NTA per share at the time of purchase.
- The average buyback price represents a ~63% discount to the NTA per share of $1.296 as at 30 April 2024.
- NGE will continue to opportunistically buy back shares in the future.

## NGE buybacks since 2015

| ~$0.479 | ~6.67m | ~15.8% |
|---|---|---|
| Average price per share | Number of shares | of shares outstanding at commencement in Jul-15 |

## Cumulative buyback




Note: Numbers presented as at 30 April 2024 and take into account of the 20:1 share consolidation in November 2016.

# Portfolio summary

## Portfolio composition as at 30 April 2024

| Company | Ticker | % NTA |
|---|---|---|
| Yellow Cake plc | LSE : YCA | 18.0% |
| Metals X Limited | ASX : MLX | 9.0% |
| Sprott Physical Uranium Trust | TSX : U.UN | 7.2% |
| John Wood Group plc | LSE : WG. | 6.2% |
| Jupiter Mines Limited | ASX : JMS | 4.8% |
| OCI N.V. | AMS : OCI | 4.7% |
| Embark Early Education Limited | ASX : EVO | 4.7% |
| Industrial Logistics Properties Trust | NAS : ILPT | 4.4% |
| Capricorn Energy PLC | LSE : CNE | 4.1% |
| Danakali Limited | ASX : DNK | 2.9% |
| SunriseMezz PLC | ATH : SUNMEZZ | 1.8% |
| Galaxy Cosmos Mezz PLC | ATH : GCMEZZ | 1.8% |
| Phoenix Vega Mezz PLC | ATH : PVMEZZ | 1.2% |
| Net cash & other | | 29% |

# Portfolio holding – Uranium

## Description

- **Yellow Cake plc (LSE:YCA)** and **Sprott Physical Uranium Trust (TSX:U.UN)** are listed investment entities whose strategy is to buy physical uranium in the form of $U_3O_8$ and hold long-term.
- YCA and SPUT offer direct exposure to the uranium spot price without exploration, mining and processing risks.

## Situation

- Spot price is up ~85% over the past ~15 months.
- Term price is up ~55% over same period and has been far less volatile: steadily increasing month-on-month.
- Primary supply looks increasingly challenged.
- Secondary supply no longer overhanging the market.
- Growing acceptance for nuclear power, resulting in increasing net demand due to nuclear plant restarts, life extensions, new builds.

## Assessment

- Western utilities have run down inventories at a time when the primary supply deficit is forecast to grow, with no apparent secondary supply cushion.
- Miners have struggled to respond to current elevated prices.
- Structural deficit likely to be solved via higher prices in the near-term, as utilities compete to secure material.
- US plan to ban Russian uranium imports may backfire.

## Valuation

| | | Yellow Cake | SPUT |
|---|---|---|---|
| Ticker | | YCA.LSE | U.UN.TSX |
| Local FX | | GBP | CAD |
| FX rate | 1 USD: | 0.8005 | 1.3778 |
| $U_3O_8$ holding[1] | lb | 21,682,318 | 64,111,826 |
| Spot $U_3O_8$[2] | US$/lb | $89.00 | $89.00 |
| **$U_3O_8$ holding** | **US$m** | **1,929.7** | **5,706.0** |
| Cash & other[3] | US$m | 30.1 | 41.6 |
| **NAV** | **US$m** | **1,959.8** | **5,747.5** |
| **NAV** | **local FX** | **1,568.8** | **7,918.9** |
| Shares out. | m | 216.86 | 261.30 |
| **NAV per share** | **local FX/sh** | **7.23** | **30.31** |
| Share price | local FX | 6.44 | 29.39 |
| **Premium/(discount) to NAV** | **%** | **-11.0%** | **-3.0%** |
| NGE position size | % | 18.0% | 7.2% |

Source: Company filings, IRESS, Cameco, NGE analysis.
Note: Valuation as at 30 April 2024.
1 YCA holding pro forma for 1.53mmlbs Kazatomprom purchase yet to be delivered.
2 Uranium price average of UxC and TradeTech as cited by Cameco.
3 YCA cash pro forma for payment of Kazatomprom purchase.

**The spot uranium price has increased ~245% since NGE initiated its uranium position in mid-2018**

# Portfolio holding – Metals X

## Description

- Tin producer with a 50% interest in the Renison Tin Operation, Tasmania.

## Situation

- Tin price has strengthened due to curtailed supply from Myanmar and Indonesia.
- Area 5 expansion project now complete, expected to yield higher ore grades and increased production.
- Strong balance sheet.
- On-market buyback facility in place.

## Assessment

- High operational leverage to tin price.
- Potential for further mine-life extensions via additional conversion of existing resources to reserves, exploration upside, or by tying-in other nearby tin deposits
- Improved transparency on capital allocation and further capital returns to shareholders would alleviate investor concerns about risk of mal-investment.
- Supply deficit forecast to increase from 2025 as tin demand grows, supporting long term price uplift.

## Snapshot

| | | |
|---|---|---|
| Ticker | | ASX : MLX |
| Share price (30 Apr 24) | $ | 0.455 |
| Market cap | $m | 412 |
| EV[1] | $m | 250 |
| EV/EBITDA (FY24E)[2] | x | 2.7 |
| EV/FCF (FY24E)[2] | x | 4.7 |
| NGE position size | % | 9.0% |

Source: Company filings, IRESS, NGE analysis.
Note: FYE 31 December.
1 Adjusted for shareholdings in Nico Resources (NC1) and Tanami Gold (TAM). No value attributed to Cyprium Metals CYM) convertible due to uncertainty around Cyprium's future sources of funding.
2 Assumes average tin price of US$27,500/t, 90% payable, AUD:USD FX rate of 0.65, Sn production ~10.1kt (Dec-23 mine plan adjusted for lower-than-expected 1Q24), capex A$80m.

## Valuation

| | Long-Term Tin Price (US$/t) | | | |
|---|---|---|---|---|
| | $25,000 | $30,000 | $35,000 | $40,000 |
| DCF per share (A$) | $0.49 | $0.65 | $0.81 | $0.97 |

Source: Company filings, IRESS, NGE analysis.
Note: DCF based on updated Life-of-Mine Plan published in December 2023. Assumes WACC of 12%, LT AUD:USD FX rate of 0.65.

# Portfolio holding – Wood Group

## Description

- Provider of consulting, engineering, project management and asset optimisation services in a broad range of industrial markets, with a focus on oil and gas.

## Situation

- Steadily progressing on its turnaround plan, with management focusing on lower risk, modular, cost-reimbursable work.
- Financial impact of legacy one-offs continue to weigh: further one-offs now forecast for 2024 to right-size the business.
- Looking to sell its 51% stake in the EthosEnergy JV, a turbine servicing business that generated ~US$30m (Wood share) of adjusted EBITDA in 2023; would enable further debt reduction.
- Activist investor Sparta Capital has called for Wood Group to commence a strategic review and consider shifting its primary listing from the LSE to the US in order to unlock inherent value.

## Assessment

- Looks cheap against closest listed peer Worley (ASX:WOR) which trades at ~10.9x EV/FY24E EBITDA (calendarised to 31 December year end).
- To regain interest from investors, needs to continue to execute, deliver revenue and EBITDA growth in the mid- to high-single digit range, and print several periods of "clean" financials that show the FCF generation ability of the business.
- Small improvements in growth and margins can have a big impact on the bottom line given the large revenue base.

## Snapshot

| | | GBP | USD |
|---|---|---|---|
| Ticker | LSE : WG. | | |
| FX rate | USD:GBP | 0.8005 | |
| Price (30 Apr 24) | $ | 1.484 | |
| Market cap | $m | 1,027 | 1,283 |
| Adj EV[1] | $m | 2,043 | 2,553 |
| EV/EBITDA (FY24E)[2] | x | | 6.8 |
| NGE position size | % | | 6.2% |

Source: Company filings, IRESS, NGE analysis.

1 Adjusted for restricted cash, pension deficit and provisions for asbestos, insurance, property, litigation and projects.

2 EBITDA after lease expense.

# Portfolio holding – Jupiter Mines

## Description

- Manganese ore producer whose sole asset is a 49.9% interest in the Tshipi Borwa mine in South Africa.
- Manganese is a critical element in carbon steel production with no substitutes.

## Situation

- Suspension of operations at world's second-largest Mn mine GEMCO for up to a year due to damage sustained from Tropical Cyclone Megan in March.
- Chinese port stocks were already drawing down in 4Q 2023 after marginal South African producers ceased exports due to the depressed Mn price.
- JMS' 37% Mn benchmark price increased 29% in April to US$3.92/dmtu in response to looming supply crunch.

## Assessment

- JMS is high leveraged to Mn price: every US$1/dmtu increase improves JMS' FCF by ~A$55m (net of 5% WHT).
- Tshipi has proven to be a resilient, low-cost, long-life mine that is able to generate solid free cash flows through-the-cycle.
- Opportunities to consolidate adjacent mining operations and realise product blend, cost and logistical synergies.
- LT potential for a structural shift in demand for manganese ores as manganese sulphate is increasingly being used in dry cell batteries.

## Snapshot

| | | |
|---|---|---|
| Ticker | | ASX : JMS |
| Share price (30 Apr 24) | A$ | 0.295 |
| Market cap | A$m | 578 |
| EV[1] | A$m | 522 |
| EV/EBITDA (FY25E)[2] | x | 3.4 |
| EV/FCF (FY25E)[2] | x | 5.0 |
| NGE position size | % | 4.8% |

Source: Company filings, IRESS, NGE analysis.
Note: FYE 30 June.
1 Includes Jupiter's 49.9% share of Tshipi cash balance.
2 Based on Jupiter's share of Tshipi earnings less JMS' corporate overhead. Assumes Mn production of 3.4Mt (of which 0.4Mt High Grade Fines), 37% Mn FOB Port Elizabeth benchmark price US$4.00/dmtu, ore moisture content 1.8%, FOB cost of production US$2.00/dmtu, AUD:USD FX rate of 0.65. FCF net of 5% WHT.

## Valuation

| | | LT Mn Benchmark Price (US$/dmtu) | | | | |
|---|---|---|---|---|---|---|
| | | $3.00 | $3.50 | $4.00 | $4.50 | $5.00 |
| DCF per share (A$) | 3.4Mtpa | 0.20 | 0.30 | 0.40 | 0.50 | 0.60 |

Source: Company filings, IRESS, NGE analysis.
Note: Valuation of 2P reserves only.
Assumes average annual production of 3.0Mt HGL, 0.4Mt HGF, ore moisture content 1.8%, HGF average discount to benchmark price of 8%.
Assumes LT FOB cost of production of US$2.00/dmtu.
Assumes WACC of 15%, LT AUD:USD FX rate of 0.65.

# Portfolio holding – Greek Mezz stocks

## Description

- Galaxy Cosmos Mezz Plc (ATH:GCMEZZ), Phoenix Vega Mezz Plc (ATH:PVMEZZ), and SunriseMezz Plc (ATH:SUNMEZZ) each hold various long-dated bonds, with payment of interest and principal linked to securitised Greek non-performing exposure (NPE) receivables.

## Situation

- Greek government's Hercules Asset Protection Scheme has enabled Greece's four major banks to offload billions of euros of bad debts and release capital for new lending.
- Greek economy has been performing strongly: real GDP grew 8.4% in 2021, 5.6% in 2022, 2.0% in 2023, and is projected to grow 2.5% in 2024.
- Property prices are up ~60% since their nadir in 2017, but still below pre-GFC levels.

## Assessment

- Mezz entities trade at low P/E multiples (adj for cash), whilst yielding ~11-17%.
- Earnings are underpinned by quarterly interest coupon payments that flow from long-dated bonds they hold, with longer-term multi-bagger upside potential (up to ~3-7x) if bond principal is paid down.
- If Greece's economic growth and real estate price recovery remain robust, then we expect to benefit via continued strong returns to shareholders.

## Comparable trading analysis

| Ticker | Share price EUR/sh[1] | Market cap. EURm | PF Market cap. EURm[2] | Run-rate Cash NPAT EURm | P/E x | Distr. yield %[3] | NGE position size % |
|---|---|---|---|---|---|---|---|
| GCMEZZ | $0.7910 | 68.8 | 58.3 | 7.6 | 7.7 | 11.4% | 1.8% |
| PVMEZZ | $0.0893 | 111.7 | 93.3 | 16.9 | 5.5 | 16.1% | 1.2% |
| SUNMEZZ | $0.3425 | 61.2 | 48.8 | 11.2 | 4.4 | 17.2% | 1.8% |

Source: Company filings, IRESS, NGE analysis.

1 Share price as at 30 April 2024.

2 Pro forma for NGE estimate of current cash balance.

3 GCMEZZ yield based on forthcoming EUR0.09/sh capital return (which may be increased subject to Apr-24 coupon receipts); trailing yield for PVMEZZ and SUNMEZZ.

## Summary of bond exposures

| Ticker | Class B notes held EURm | Class C notes held EURm | Total securitisation: Class A notes EURm | Total securitisation: Class B notes EURm | Total securitisation: Class C notes EURm | Total securitisation: Total notes EURm | Class B notes interest rate % |
|---|---|---|---|---|---|---|---|
| GCMEZZ | 424 | 3,414 | 5,483 | 963 | 7,760 | **14,206** | 4.0% |
| PVMEZZ | 257 | 1,792 | 2,393 | 396 | 3,981 | **6,770** | 7.0 - 9.0% |
| SUNMEZZ | 163 | 2,557 | 3,690 | 370 | 5,812 | **9,872** | 9.0% |

Source: Company filings, NGE analysis.

# Portfolio holding – OCI N.V.

## Description

- Third largest global producer and distributor of nitrogen fertilizer and fifth largest producer of methanol.
- Owns 50% of Fertiglobe plc (ADS:FERTIGLB), the world's largest seaborne exporter of urea and ammonia combined.

## Situation

- Strategic review resulted in Dec-23 announced sales of Fertiglobe stake and Iowa Fertilizer Company (IFCo); should deliver ~US$6.1bn (~EUR27/sh) in net proceeds against pro forma RemainCo net debt of ~EUR9/sh as at 31-Dec-23.
- OCI fielding in-bound interest in remaining business, exploring "further value creative strategic actions".
- Near-term RemainCo financial performance headwinds.

## Assessment

- Divestments enable paydown of debt and return of capital (EUR4.50/sh initially, further min of ~EUR9/sh expected), simplifies corporate structure, and provides flexibility to invest in new opportunities. Management track record is solid.
- RemainCo valued at implied ~EUR7/sh: in our view Methanol (85%) likely worth ~EUR9+/sh, Texas Blue EUR5+/sh, Europe Nitrogen ~EUR3+/sh, less central costs ~EUR1/sh.
- Further upside potential from IFCo cashflows prior to transaction close and Fertiglobe earnout.

## Snapshot

| | | | |
|---|---|---|---|
| Ticker | | AMS : OCI | |
| | | EUR | USD |
| FX rate | 1 EUR: | 1.0000 | 1.0668 |
| Price (30 Apr 24) | $ | 25.30 | |
| Market cap | $m | 5,331 | 5,687 |
| EV[1] | $m | | 7,535 |
| PF EV[2] | $m | | 1,907 |
| PF EV/EBITDA (mid-cycle)[3] | x | 2.7 - 3.2 | |
| PF EV/FCF (mid-cycle)[4] | x | 5.4 - 6.4 | |
| NGE position size | % | 4.7% | |

Source: Company filings, IRESS, NGE analysis.

Note: FYE 31 December.

1 EV for continuing operations, pro forma for Fertiglobe 2H23 dividend US$100m (OCI share).

2 EV for continuing operations, pro forma for Fertiglobe 2H23 dividend, expected ~$6.1bn net proceeds from divestments, and remaining Texas Blue capex.

3 Mid-cycle adjusted EBITDA of ~US$500m for OCI Methanol and OCI Nitrogen (Europe) (split roughly 70/30 methanol/nitrogen), and ~US$100-200m for Texas Blue once facility is up and running in 2025. Earnings upside risk if Texas Blue achieves blue premium pricing.

4 Assumed cash conversion of ~50% per management guidance.

# Portfolio holding – Embark Education

## Description

- Provider of Early Childhood Education, operating 24 childcare centres in Australia.[1]

## Situation

- Announced acquisition of 9 centres in February at an EV/EBITDA multiple of ~4.0x. Also announced approval of a $20m bank debt facility for further acquisitions.
- Ongoing teacher shortage, though Embark appears to be managing the issue well.
- Earnings are typically 2H weighted (roughly a 40/60 split), so strong start to the year announced at the end of February bodes well for full-year earnings.
- Strong government push to encourage broader childcare access and higher female labour force participation: higher childcare subsidies, potential for further intervention.

## Assessment

- Highly cash-generative business, minimal ongoing capex.
- MD Chris Scott's patient approach to acquiring centres at sensible multiples is starting to bear fruit and has seen the return of some investor interest.
- Continues to trade very cheaply on an absolute basis and compared to listed peers with poorer operational performance.
- Strong dividend payer, current yield ~7.4%; earnings growth should result in higher future dividends.

1 Will increase to 33 centres once acquisitions of 9 centres announced in Feb-24 settle.

## Snapshot

| | | |
|---|---|---|
| Ticker | | ASX : EVO |
| Share price (30 Apr 24) | A$ | 0.680 |
| Market cap | A$m | 108 |
| EV[1] | A$m | 109 |
| EV/EBITDA (FY24E)[1] | x | 5.2 |
| NGE position size | % | 4.7% |

Source: Company filings, IRESS, NGE analysis.
Note: FYE 31 December.
1 EV and EBITDA pro forma for acquisitions of 9 centres announced in Feb-24. EV adjusted for 1.5c dividend paid in March. Excludes A$2.4m of cash held in a term deposit pursuant to a lease guarantee facility.

## Valuation

| | | Low | High |
|---|---|---|---|
| EV / EBITDA | x | 7.0 | 8.0 |
| FY24E EBITDA (existing centres) | A$m | 17.7 | 18.3 |
| Add: acquired centres EBITDA | A$m | 6.0 | 6.5 |
| Less: corporate overhead | A$m | -3.4 | -3.4 |
| PF FY24E EBITDA | A$m | 20.4 | 21.5 |
| EV | A$m | 142 | 172 |
| Less: net debt | A$m | -1 | -1 |
| Implied equity value | A$m | 142 | 171 |
| Shares outstanding | m | 159.5 | 159.5 |
| Value per share | A$ | 0.89 | 1.07 |
| *Upside* | *%* | *31%* | *57%* |

Source: Company filings, IRESS, NGE analysis.

# Portfolio holding – ILPT

## Description

- Industrial Logistics Properties Trust ("ILPT") is a REIT that owns over 400 warehouse and logistics properties in the US.
- Externally managed by The RMR Group Inc. (NAS:RMR)
- Top tenants are FedEx Corporation (NYS:FDX), Amazon.com, Inc. (NAS:AMZN) and Home Depot, Inc. (NYS:HD).

## Situation

- Poorly timed acquisition of Monmouth Real Estate Investment Corp. (NYSE: MNR) that closed in 2022 has left ILPT with excessive floating rate debt and burdensome interest expense.
- Operating performance has been very good: occupancy increased to 99.0% as at 31-Mar-24, following continued strong leasing activity that will deliver significantly higher rents.
- Modestly geared Hawaii portfolio alone could be worth ~US$16+ per share: ground leases, low capex, constrained.

## Assessment

- Non-recourse nature of debt means the odds of bankruptcy are far more remote than the depressed share price suggests.
- Catalysts for a re-rating include refinancing debt on more favourable terms, divesting over-leveraged properties via spinoff, or asset sales.
- In worst-case scenario, RMR is heavily incentivised to step in and provide emergency liquidity. Share price so depressed that even unfavourable funding terms likely to be seen as positive.

## Snapshot

| | | |
|---|---|---|
| Ticker | NAS : ILPT | |
| Share price (30 Apr 2024) | US$/sh | $3.52 |
| Market cap | US$m | 232 |
| Total debt[1] | US$m | 4,321 |
| Total capitalisation | US$m | 4,553 |
| P/B | x | 0.36 |
| P/NAVPS | x | 0.19 |
| NGE position size | % | 4.4% |

Source: Company filings, IRESS, NGE analysis.

1 ILPT fully consolidates Mountain Industrial REIT JV debt (ILPT share 61%).

## Valuation

| (FYE 31 December) | | Hawaii | Mainland | JV 100% basis | JV ILPT 61% share | Group Total |
|---|---|---|---|---|---|---|
| Cash NOI (1Q24 run-rate) | US$m | 87 | 115 | 126 | 77 | 279 |
| Cap rate[1] | % | 4.5% | 6.0% | 6.0% | | |
| EV | US$m | 1,942 | 1,911 | 2,099 | 1,280 | 5,133 |
| Debt | US$m | 863 | 1,722 | 1,736 | 1,059 | 3,644 |
| Equity | US$m | 1,079 | 189 | 363 | 221 | 1,489 |
| Shares out. | m | | | | | 65.8 |
| NAV per share | $/sh | $16.4 | $2.9 | | $3.4 | $22.6 |
| Less: RMR contract value[2] | US$m | | | | | -300 |
| Less: RMR contract value[2] | $/sh | | | | | -$4.6 |
| NAV per share | $/sh | | | | | $18.1 |

Source: Company filings, NGE analysis.

1 Hawaii cap rate referenced to "going in" cap rates of industrial property acquisitions by Rexford Industrial Realty (NYS:REXR) (Mar-24) and Prologis (NYS:PLD) (Jun-23).

2 Estimate on PV basis.

# Portfolio holding – Capricorn Energy

## Description

- Oil & gas producer with onshore operations in western Egypt.

## Situation

- Randy Neely, CEO since June 2023, has done a commendable job of cleaning up the business, improving relations with the Egyptian government and JV partner Cheiron, and instilling a cost-focused corporate culture that was sorely lacking under the previous board and management.
- $30m part paydown of Egypt receivables received in March, which followed over US$50bn of foreign capital injections to shore up Egypt's finances, as well as floating of EGP.
- Recent monetisation of remaining North Sea earn-out allows for further dividend of 43p per share, due to be paid in June.

## Assessment

- Market is (justifiably) ascribing little value to the Egypt business, however an improvement to PSC terms and agreed receivables payment plan seems highly likely in the next 12 months. Management has made clear that Egypt must be self-funding and generate an acceptable return for shareholders.
- Debt is ring-fenced to Egyptian entities.
- Opportunity to acquire further attractive North Sea assets.
- Potential for US$50m contingent payout if Woodside Energy (ASX:WDS) commences production at Sangomar by 30 June.

## Snapshot

| | | GBP | USD |
|---|---|---|---|
| Ticker | LSE : CNE | | |
| FX rate | USD:GBP | 0.8005 | |
| Share price (30 Apr 24) | GBP | 1.700 | |
| Market cap | $m | 156 | 195 |
| EV[1] | $m | | 99 |
| NGE position size | % | 4.1% | |

Source: Company filings, IRESS, NGE analysis.

1 EV adjusted for Waldorf $2m payment due Apr-24, restricted cash of US$10.6m, on-market buybacks YTD, and US$30m receivables payment (assumed to be applied towards Egypt debt).

## Valuation

| | | GBP | USD |
|---|---|---|---|
| Non-Egypt | | | |
| Cash | $m | | 178 |
| UK North Sea receipt due Jan-25 | $m | | 23 |
| Columbus NPV15 | $m | | 14 |
| Contingent payments due on Egypt acqn | $m | | -50 |
| Exploration commitments | $m | | -11 |
| Total Non-Egypt assets | $m | 123 | 153 |
| Total Non-Egypt assets | $/sh | 1.34 | |
| Senegal contingent payment | $m | 40 | 50 |
| Senegal contingent payment | $/sh | 0.44 | |
| Egypt | | | |
| Egypt working capital | $m | | 83 |
| Egypt net debt | $m | | -82 |
| Egypt NPV15 | $m | | 267 |
| Total Egypt assets | $m | 215 | 268 |
| Total Egypt assets | $/sh | 2.34 | |
| Total value | $/sh | 3.67 | |
| *Upside* | *%* | *116%* | |

Source: Company filings, IRESS, NGE analysis.

# Portfolio holding – Danakali

## Description

- Main asset is company's cash balance, following sale of its 50% interest in the Colluli Potash Project located in Eritrea to Chinese listed civil engineering and construction company Sichuan Road & Bridge Group (SHG:600039).

## Situation

- In January Danakali distributed $0.42 per share to shareholders via a capital return and dividend.
- Proposed further distribution of $0.02 per share, to be paid via a capital return and dividend in July.
- Shares remain suspended from trading following the sale of the company's main undertaking.
- Company has applied for an exploration license in Eritrea and has been reviewing exploration plays in Saudi Arabia.

## Assessment

- Distributions received to date are well in excess of our average entry price of ~$0.39/sh; majority of our shares were acquired on 3 April 2023 just prior to suspension of trading.
- We believe the most efficient, value-maximising, minimal-risk action the Board can take is to return all of the company's remaining cash to shareholders without delay.
- We continue to receive feedback from Danakali shareholders who share similar views.

## Snapshot

| | | |
|---|---|---|
| Ticker | | ASX : DNK |
| Cash balance (31-Mar-24) | $m | 39.9 |
| NGE position size | % | 2.9% |

## Valuation

| | $'000 | cps |
|---|---|---|
| Bank balances (31-Mar-24) | 2,298 | 0.624 |
| Term deposit (31-Mar-24) | 37,579 | 10.202 |
| **Total cash** | **39,877** | **10.826** |
| Add: 1Q24 interest on term deposit[1] | 470 | 0.128 |
| Add: 2Q24 interest on term deposit[2] | 476 | 0.129 |
| Less: 2Q24 corporate overheads | -1,000 | -0.271 |
| **Pro forma cash (30-Jun-24)** | **39,822** | **10.811** |
| Proposed shareholder distributions | | |
| Capital return | 3,963 | 1.076 |
| Dividend | 3,403 | 0.924 |
| **Total distributions** | **7,367** | **2.000** |

Source: Company filings, IRESS, NGE analysis.

1 Assumes 5.0% p.a. interest, paid just after quarter-end (in alignment with timing of previous term deposit interest receipts).

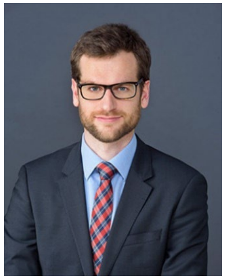
2 Assumes interest earned in 1Q24 is rolled into term deposit balance.

# Board & management

## David Lamm

**Executive Chairman & Chief Investment Officer**

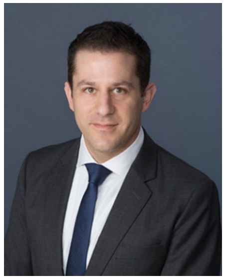
- Responsible for the origination of investment ideas, management of NGE's portfolio and overall performance of the LIC.
- Over 15 years' experience in business and financial markets including roles at Credit Suisse, Bain and the Alter Family Office.
- Founder and MD of Kentgrove Capital.
- Qualified as a Fellow of the Institute of Actuaries of Australia.
- Bachelor in Commerce from the University of Melbourne with First Class Honours.



## Adam Saunders

**Executive Director & Portfolio Manager**

- Responsible for the origination, analysis and execution of investment ideas and management of NGE's portfolio.
- Portfolio Manager at Kentgrove Capital, and previously held corporate advisory roles at GBS Finanzas in Madrid and Credit Suisse in Melbourne.
- Bachelor in Commerce from the University of Melbourne with Honours in Finance.
- Graduate of the Australian Institute of Company Directors.



## Ilan Rimer

**Non-Executive Director**

- Extensive experience in management consulting, corporate strategy and new business development.
- Founder of two Australian technology businesses.
- Previously held roles at Bain, PwC, Australia Post, Visy and Stellar Asia-Pacific.
- MBA from Oxford University and a Bachelor in Commerce (Hons) from Monash University.
- Graduate of the Australian Institute of Company Directors.

## Leslie Smith

**Chief Financial Officer & Company Secretary**

- Senior financial and company secretarial experience in various private, public and listed entities in the resources, manufacturing, IT and not-for-profit sectors in a career spanning 30+ years.
- Bachelor of Business from Massey University and an MBA at the University of Melbourne.
- Graduate Diploma in Applied Corporate Governance.
- Chartered Accountant and Member of the CPA and Governance Institute of Australia.

**Investment proposals**

Submit an investment opportunity for us to consider to:
investments@ngecapital.com.au

NGE Capital Limited


ACN: 112 618 238

Phone: +61 3 9648 2290

Email: office@ngecapital.com.au

Web: www.ngecapital.com.au


Announcement released to the market with the authorisation of:

David Lamm
Chief Investment Officer

Adam Saunders
Portfolio Manager