

NGE Capital Limited

ASX : NGE

AGM Presentation

26 May 2021

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



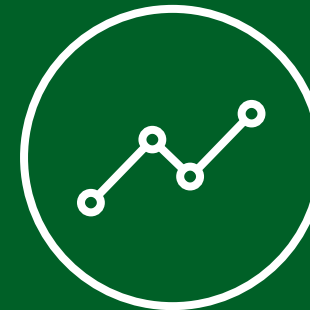
Fundamental
analysis



Concentrated,
high conviction
portfolio



Open investment
mandate



Goal of strong
risk-adjusted
returns



Heavily aligned
management

Company Snapshot (cont.)



Summary

Ticker	ASX : NGE
Share price	\$0.635
Shares outstanding	36.20m
Market cap	\$23.0m
NTA per share before tax	\$0.843
NTA per share after tax	\$0.895
NTA before tax	\$30.5m
NTA after tax	\$32.4m

Note: Share price as at 25 May 2021, NTA as at 30 April 2021.

Top shareholders

David Lamm	11.05%
Raphael Lamm	8.76%
Wallbay Pty Ltd	5.55%
Kuridale Nominees Pty Ltd	5.17%
Adam Saunders	3.52%



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

Directors

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

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.

- 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 rather than market trends.
 - 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



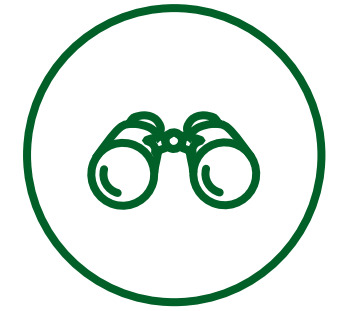
Assessment

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



Investment decision

- Buy, hold, sell, wait, do nothing
- Investment committee approval as required
- Sizing and structure based on risk-reward payoff



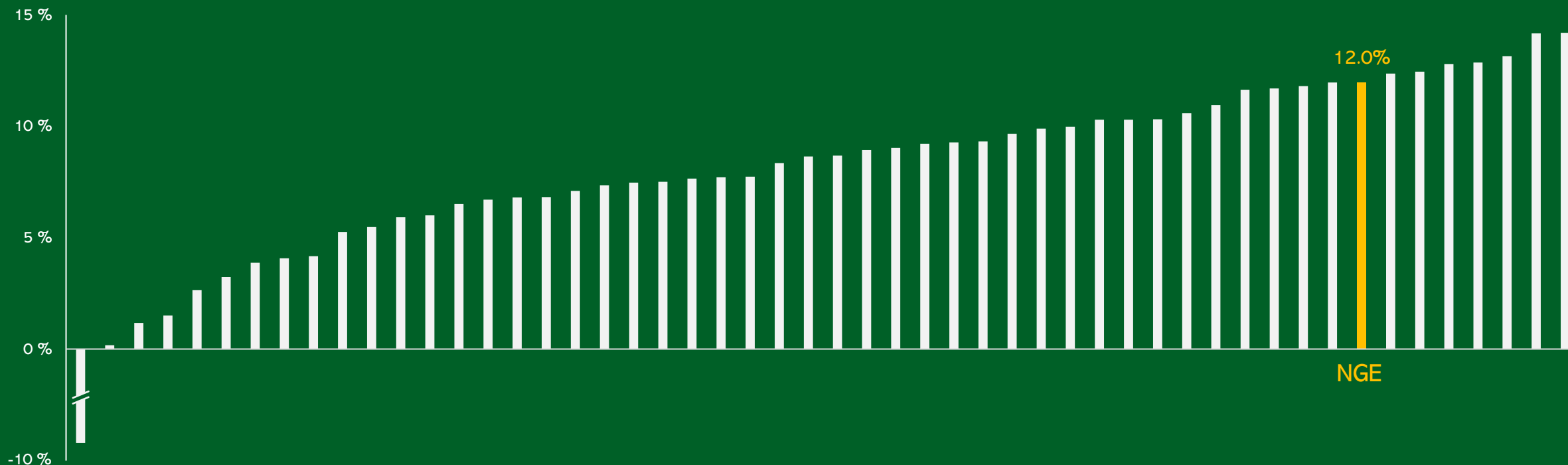
Monitor & exit

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

A Top Performing LIC



Annualised portfolio return since NGE inception – all ASX LICs¹



Note: Each bar represents the annualised return of an ASX listed LIC between 30 November 2016, the date NGE became a LIC, and 31 March 2021. Returns include growth in NTA (pre-tax, after fees and expenses) and payment of dividends grossed up for franking credits).

¹ Peer comparison data comprises 52 ASX-listed equities-focused LICs with FUM of at least A\$10m that were listed as at 30 November 2016.

Performance



Growth in NTA per share

2017	2018	2019	2020	2021 YTD	Since inception ¹ (p.a.)	Since inception ¹ (cum.)
26.8%	21.4%	11.2%	-8.0%	7.7%	12.1%	65.4%

Note: Returns are before tax and net of all expenses.

¹ From 30 November 2016, the date on which NGE became a LIC, to 30 Apr 2021.

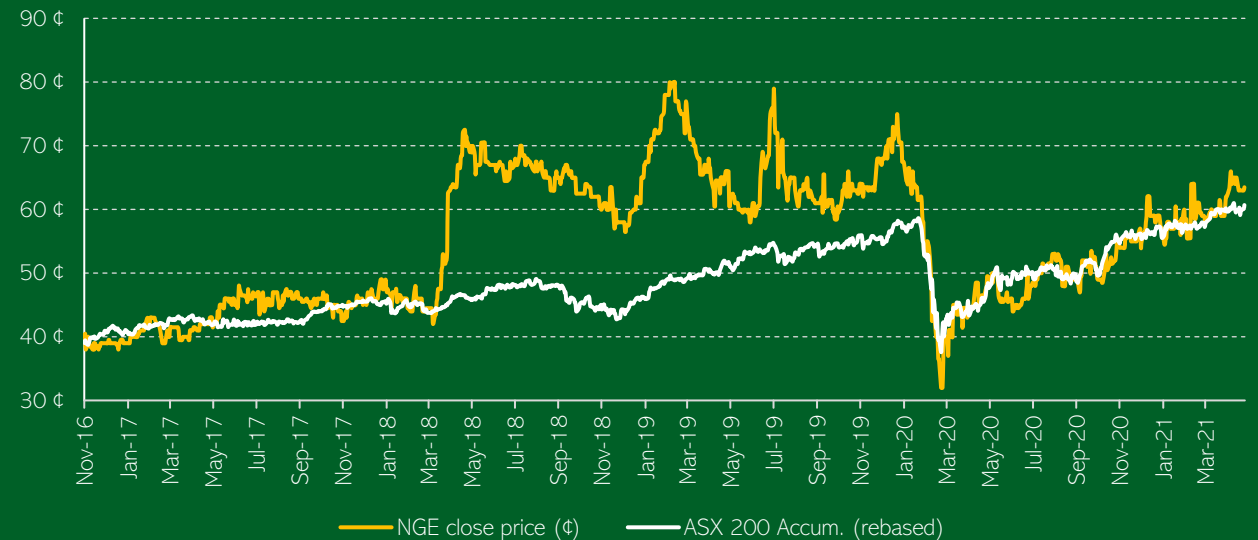
Tax efficient investment vehicle

- In the aggregate, NGE's potential future tax benefit equates to approximately \$12m or **\$0.33 per share**.
- Of this, NGE has only recognised a \$1.9m (\$0.052 per share) deferred tax asset as at 31 December 2020.

Share price performance

	2017	2018	2019	2020	2021 YTD	Since inception ¹ (p.a.)	Since inception ¹ (cum.)
NGE	16.7%	27.5%	17.2%	-19.1%	15.5%	11.5%	62.8%
ASX 200 Accum.	11.8%	-2.8%	23.4%	1.4%	9.7%	10.4%	55.6%

¹ From 30 November 2016, the date on which NGE became a LIC, to 25 May 2021.



Portfolio

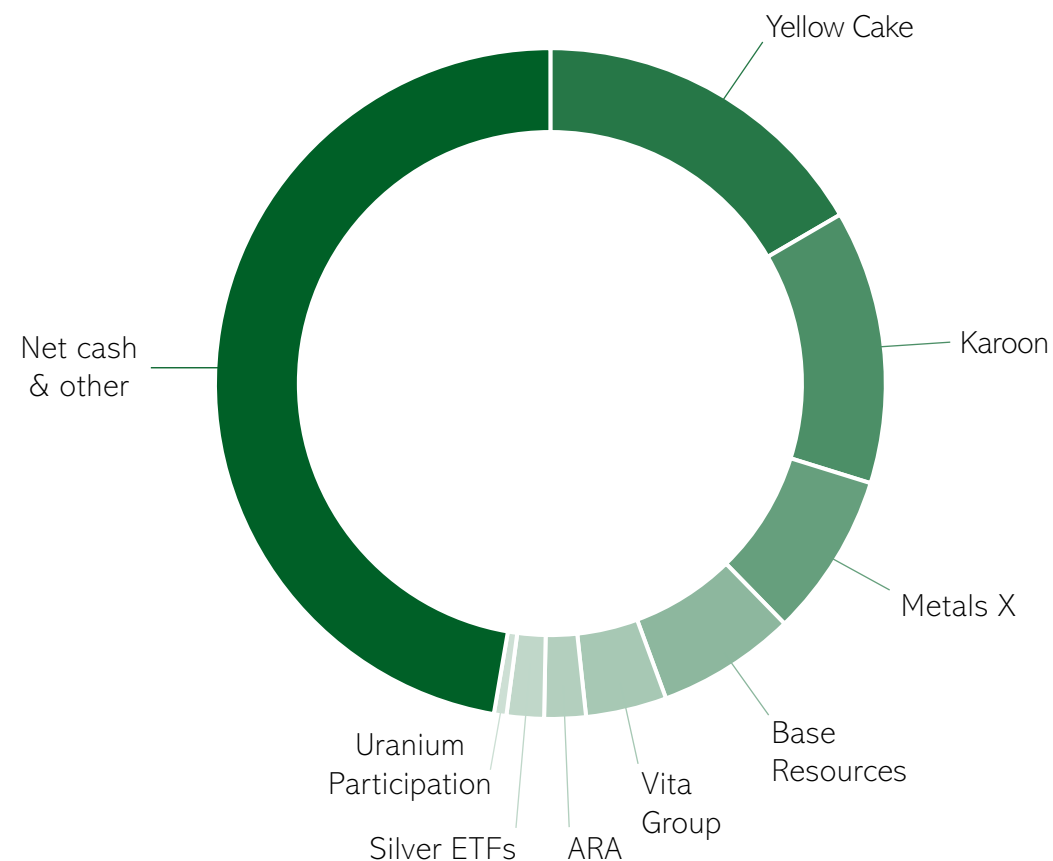


Portfolio composition (% of NTA)

Company	Ticker	%
Yellow Cake plc	LSE : YCA	16.6%
Karoon Energy	ASX : KAR	13.2%
Metals X	ASX : MLX	7.9%
Base Resources	ASX : BSE	6.7%
Vita Group ¹	ASX : VTG	3.9%
Conсорcio ARA	MEX : ARA	2.0%
Silver ETFs	SILJ, SLV, SIL	1.8%
Uranium Participation	TSX : U	0.6%
Net cash & other	-	47.3%

Note: Values as at 30 April 2021.

¹ NGE has increased its holding in VTG during May and currently holds ~2.41m shares.



Portfolio holding - Yellow Cake



Description

- Listed investment company whose strategy is to buy and hold physical uranium long-term.
- Holds 13.31 mmlbs of “natural uranium” in the form of U_3O_8 , also known as yellow cake.

Situation

- YCA offers exposure to the uranium price without the risks typically borne by companies which explore for, develop and mine uranium.
- Uranium price yet to recover from prolonged bear market. Whilst US\$31.05/lb spot as at 24 May is up 24% since Dec 2019, still well below the level that would induce mothballed/new primary supply.

Assessment

- YCA now trades at a premium due to renewed interest by investors in uranium as industry dynamics appear to be improving, helped by changing attitudes towards nuclear power in a climate conscious world, curtailed primary production due to COVID-19 and recent spot purchases by aspirational miners.
- Further uranium price recovery forecast for the following reasons:
 - Nuclear power net demand expected to grow, led by China and India, as nations try to meet carbon-neutrality targets;
 - Higher priced LT contracts which have shielded producers from low spot prices are expected to continue rolling off in next few years;
 - ~40% of primary production has total costs above spot;
 - Secondary sources (esp. commercial and government inventories) will eventually be depleted; and
 - Supply deficit (demand ~175-180mmlbs vs primary production ~125mmlbs) forecast to grow due to growing demand, underinvestment in new primary supply and long lead times to bring on new production.

Snapshot

Ticker		LSE : YCA
Uranium holdings	mmlb	13.31
Spot price	US\$/lb	31.050
Fair value of uranium	US\$m	413.14
Cash and other net assets	US\$m	19.30
Net Asset Value	US\$m	432.44
FX rate	GBP:USD	0.7050
Net Asset Value	£m	304.87
Shares outstanding	m	128.58
NAV per share	£	2.37
Share price (25 May 2021)	£	2.60
Premium to NAV	%	9.7%
NGE position size	%	16.6%

Note: Uranium spot price and NAV as at 25 May 2021, using midpoint of Numerco's quoted bid/ask spread of 3085/3125 USc/lb.

Portfolio holding - Karoon Energy



Description

- Oil and gas producer with operations in Brazil and Australia.
- Key asset is recently acquired Baúna oil field in the Santos Basin, Brazil.

Situation

- Transition to producer has gone smoothly under stewardship of Chairman Bruce Phillips.
- Board and management overhaul well underway.
- KAR has a strong balance sheet with \$173m cash and no debt.

Assessment

- KAR offers unhedged oil exposure as a small- to mid-cap ASX-listed producer operating a large, high quality production asset with low costs of production.
- Global economy re-opening has seen Brent oil price recover to ~US\$65-70/bbl.
- Upside from low-risk rejuvenation program, funded by Baúna cashflow, targeting a 5,000-10,000 bopd boost to production during FY23; current level ~14,000 bopd.
- Further upside from tying in Patola field, targeting >10,000 bopd. FID expected this quarter.
- Share price has lagged Brent crude price increase: contingent payments owing to Petrobras cap some of the upside, and investors are likely being cautious given value depends on success of well workover campaign and Patola tie-in.
- We scaled back our overweight position in 1Q 2021, taking profits after the share price more than tripled from its March 2020 lows.

Snapshot

Ticker		ASX : KAR
Price (30 Apr 21)	\$	1.285
Market cap	\$m	711
EV	\$m	538
Cash	\$m	173
EV/FCF (NTM) ¹	x	4.0
NGE position size	%	13.2%

¹ Pre rejuvenation/growth capex.

Portfolio holding - Metals X



Description

- Tin producer with 50% interest in the Renison Tin Operation, Tasmania.
- Also owns the undeveloped Wingellina Nickel-Cobalt Project straddling WA, NT and SA.

Situation

- Divested troubled copper assets to Cyprium Metals (ASX:CYM) in Mar 2020, becoming one of the largest listed pure-play tin producers globally.
- LME tin price up over 80% since Jan 2020 to ~US\$31k/t (~A\$40k/t), against MLX's AISC of ~A\$19k/t.
- Area 5 expansion extends mine-life to 10 years, will enable increased production, grades and reduced AISC from FY25.
- Plans to spin off nickel assets into separate listed vehicle, with MLX shareholders to receive an in-specie distribution of shares.

Assessment

- MLX seems cheap against a range of assumed long-term tin prices.
- Tin is an essential element in modern tech. ITA forecasts a significant supply deficit from 2025 as tin demand grows, supporting long term price uplift.
- Significant potential for further mine-life extensions via conversion of existing resources to reserves, exploration upside, or by tying-in other nearby tin deposits.
- MLX still retains some upside to copper via a convertible and options in Cyprium.

Snapshot

		ASX : MLX
Ticker		ASX : MLX
Price (30 Apr 21)	\$	0.235
Market cap	\$m	213
EV ¹	\$m	174
EV/EBITDA (FY22E) ²	x	3.4
EV/FCF (FY22E) ²	x	6.5
EV/FCF pre growth capex (FY22E) ²	x	4.6
NGE position size	%	7.9%

1 Pro forma for \$6.5m Copper Division environmental bonds yet to be received, estimate of environmental rehab provision post close of copper asset sale and Mt Gordon Sale Agreement copper price contingent payments.

2 Assumed tin price of US\$26k/t.

DCF sensitivity to LT tin price

	LT tin price (US\$/t)					
	\$20k	\$22k	\$24k	\$26k	\$28k	\$30k
DCF value	\$0.16	\$0.24	\$0.32	\$0.40	\$0.48	\$0.57

Portfolio holding - Base Resources



Description

- Owns and operates the Kwale mineral sands project in Kenya, which produces zircon, ilmenite and rutile.
- Owns the undeveloped Toliara mineral sands project, Madagascar.

Situation

- Toliara FID delayed by 11+ months as government negotiations on project fiscal terms have been prolonged due to COVID-19.
- Paid maiden dividend of 3.5c in Oct 2020, further 3c dividend paid in Mar 2021.

Assessment

- Sensible capital management strategy adopted by the company in light of Toliara delay.
- Toliara project sell-down remains most attractive funding solution and would avoid large and dilutive equity raise.
- While Kwale North Dune PFS disappointing, still offers some potential as BSE assesses feasibility of mining a higher-grade subset of the deposit; results expected mid-2021.
- Market continues to attribute little to no value to Toliara as is common for resource development assets, regardless of quality, when sitting within an established and profitable company.

Snapshot

Ticker		ASX : BSE
Price (30 Apr 21)	\$	0.275
Market cap	\$m	343
EV	\$m	251
EV/EBITDA (FY22E)	x	2.7
EV/FCF (FY22E) ¹	x	3.1
NGE position size	%	6.7%

¹ Excludes Toliara-related payments of US\$17m that become due upon securing fiscal terms and Large Mining Investment Act certification.

Sum-of-the-parts valuation

	Per share	Valuation	
	A\$	A\$m	US\$m
DCF - Kwale Project (10% WACC)	\$0.23	286.5	222.0
Net cash	\$0.07	92.4	71.6
Current operations equity valuation	\$0.30	378.9	293.6
Upside	10%		
Toliara upfront (15% stake, land)	-\$0.02	-21.5	-16.7
Toliara NPV	\$1.09	1,366.5	1,059.0
Toliara capex	-\$0.46	-570.3	-442.0
Toliara equity valuation (unrisked)	\$0.62	774.6	600.3
Risk factor	25%	25%	25%
Toliara equity valuation (risky)	\$0.16	193.6	150.1
Total equity valuation	\$0.46	572.5	443.7
Upside	67%		

Portfolio holding - Vita Group



Description

- Australian retailer which owns and operates 104 Telstra-branded retail stores and 20 premium cosmetic skincare clinics, mostly under the Artisan Aesthetic brand.
- Also owns a mobile phone accessories business, Sprout Accessories.

Situation

- In Feb 2021 Telstra announced it will transition to full corporate ownership of all Telstra-branded retail stores – VTG's dealer agreement with Telstra ending in June 2025 would not be renewed.
- VTG now plans to focus on Artisan and rapidly expand its clinic base - goal to open 30-50 clinics over next 4-5 years.

Assessment

- Likely VTG sells its store network to Telstra in the next 12 months.
- Deal structure unclear, however a full sale of the company to Telstra combined with a demerger of Artisan via an in-specie distribution would be our preference given NGE's utilisable tax losses.
- If instead the sale proceeds of the ICT business are distributed to shareholders via a dividend/capital return, we expect VTG to be left with net cash proceeds of ~\$1.10+ per share, after our estimate of tax and restructuring costs and including cash already on the balance sheet.
- We would expect to receive a distribution that at least covers our buy-in cost of ~82c, leaving us with a free option on the promising roll-out of Artisan.

Snapshot

Ticker		ASX : VTG
Price (30 Apr 21)	\$	0.83
Market cap	\$m	137
EV	\$m	107
EV/EBITDA (FY22E)	x	2.0
EV/FCF (FY22E)	x	4.0
NGE position size ¹	%	3.9%

¹ NGE has increased its holding in VTG during May and currently holds ~2.41m shares, acquired at an average price of ~82c (adjusted for 5.6c dividend received on initial shareholding in April).

Portfolio holding - Consorcio ARA



Description

- Mexican homebuilder that constructs 10-12k homes p.a., ~60% of which are flats/apartments.
- Three segmented product offerings: Affordable Entry Level (~A\$25-40k per unit), Middle Income (A\$40-85k) and Residential (A\$85k+).
- Also operates 7 shopping centres (5 fully owned, 2 within 50% owned JVs).

Situation

- Discount to Book Value has increased in recent years, and blew out in 2020 with ARA trading at 0.2x P/B in June.
- Significant land bank is booked at acquisition cost – could be materially undervalued.
- Shopping centres are also booked at historical cost (and JVs via equity method), and contribute EBIT at a 20%+ yield.

Assessment

- NGE acquired its stake at an average ~MX\$3.98 per share, equivalent to ~0.36x P/B.
- Strong tailwinds to Mexican property market, with high population growth and a housing shortage predicted.
- ARA's management has proven itself able to navigate the property cycle, and has significant skin in the game with a ~49% stake.
- Strong FCF generation, a conservative balance sheet, a propensity to payout solid dividends and a large land bank (inflation hedge) make ARA an attractive investment opportunity.

Snapshot

Ticker		MEX : ARA	
		MXN	AUD ¹
Price (30 Apr 21)	\$	5.15	
Market cap	\$m	6,495	416
EV	\$m	5,450	349
BV per share	\$	11.07	
P/B	x	0.47	
EV/FCF (LTM)	x	4.4	
NGE position size	%	2.0%	

¹ Converted at AUD:MXN FX rate of 15.62 as at 30 April.

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