

# Investment & NTA Update

31 August 2022



## NGE Capital Summary

ASX ticker	NGE
Share price (31 Aug 22)	\$0.750
Shares outstanding	36,000,000
Market cap	\$27.0m
NTA per share before tax	\$0.907
NTA per share after tax	\$0.971
NTA before tax	\$32.7m
NTA after tax	\$35.0m

## Overview

NGE Capital Limited is an internally managed Listed Investment Company which allows investors to gain exposure to a concentrated, high conviction, actively managed portfolio of financial assets. NGE primarily focuses on listed ASX and international equities, with the aim of generating strong risk-adjusted returns over the medium to long term.

## Board & Management

<b>David Lamm</b> Executive Chairman & Chief Investment Officer	<b>Adam Saunders</b> Executive Director & Portfolio Manager
<b>Ilan Rimer</b> Non-Executive Director	<b>Les Smith</b> Company Secretary & Chief Financial Officer

## Contact Details

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## Net Tangible Assets Per Share

	31 Aug 2022	31 Jul 2022
NTA per share before tax	\$0.907	\$0.910
NTA per share after tax	\$0.971	\$0.973

## NTA Per Share Performance Summary

1 month	Year-to-date	Last 12 months	Since inception <sup>1</sup> (p.a.)	(cum.)
-0.3%	-7.3%	4.6%	10.5%	77.9%

Note: Returns are net of all expenses.  
1 From 30 Nov 2016, the date on which NGE became a LIC.

## Portfolio Composition

Company	Ticker	% of NTA
Yellow Cake plc	LSE:YCA	19.9%
John Wood Group plc	LSE:WG.	7.4%
Capricorn Energy plc	LSE:CNE	6.8%
Evolve Education Group	ASX:EVO	6.1%
Metals X	ASX:MLX	5.9%
Sprott Physical Uranium Trust	TSX:U.UN	5.7%
Jupiter Mines	ASX:JMS	5.1%
Undisclosed	Listed	1.7%
Net cash and other		41%
Total		100%

## Unrecognised Tax Losses

The Company has ~\$45 million of Australian unused and unrealised losses available as at 31 August 2022. In the aggregate these losses equate to a potential future tax benefit of ~\$11m or ~\$0.31 per share (of which only ~\$2.3m or ~\$0.064 per share is recognised in our after tax NTA). The Company 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).



# Commentary

31 August 2022



During the month **Evolve Education (ASX:EVO)** announced an agreement to sell its NZ business to PE firm Anchorage Capital Partners for an enterprise value of NZ\$46m. Evolve expects to receive net proceeds of NZ\$42-49m (~A\$40-47m) on completion, with completion adjustments expected to be finalised in early November when the next funding payment is due from the NZ Ministry of Education.

Whilst at the low end of what we had hoped a NZ sale would achieve, we think the deal makes financial, operational and strategic sense. NZ has been a drag on earnings since pre-Covid, tying up valuable capital that can be put to more profitable use in the Australian market.

The sale proceeds will likely be used to purchase additional Australian childcare centres that could add ~A\$10m of incremental EBITDA, assuming an average purchase price of ~4x EV/EBITDA. We understand the Youngstars centre in NSW, which was purchased on 1 July, was done at a similar earnings multiple.

Assuming no further impacts from Covid-19, we estimate that Evolve's 24 Australian centres could generate annualised revenue of ~A\$55-65m at an EBITDA margin of ~24-25% (which takes into account the overhead that will be retained by the remaining business). The company's month-end share price of A\$0.62 implies a forward EV/EBITDA multiple for the pro forma business of ~4.1-5.5x, below that of larger peer **G8 Education (ASX:GEM)** at ~6.8x, and roughly in-line with **Mayfield Childcare (ASX:MFD)** at ~4.2x.

Given the strong current and historical level of dealmaking in the childcare sector by private equity and strategic buyers, we would expect Evolve to be a potential takeover target should the share price fail to re-rate once the NZ transaction is completed and the company starts acquiring new Australian centres on a more frequent basis.

## EVOLVE EDUCATION PRO FORMA CAPITAL STRUCTURE AND IMPLIED VALUATION

		AUD	
		Low	High
FX rate	AUD:NZD	1.0487	1.0487
Share price (31-Aug-22)	\$	\$0.62	
Shares out.	m	159.5	
<b>Market cap</b>	<b>\$m</b>	<b>98.9</b>	<b>98.9</b>
Net debt (30-Jun-22)	\$m	12.9	12.9
NZ sale proceeds	\$m	-40.0	-46.7
<b>Pro forma EV</b>	<b>\$m</b>	<b>71.8</b>	<b>65.1</b>
<b>Australian centres</b>			
Run-rate revenue	\$m	55.0	65.0
Centre-level EBITDA margin	%	30.0%	30.0%
<b>Centre-level EBITDA</b>	<b>\$m</b>	<b>16.5</b>	<b>19.5</b>
PF overhead & support costs	\$m	-3.5	-3.5
<b>PF EBITDA</b>	<b>\$m</b>	<b>13.0</b>	<b>16.0</b>
PF EBITDA margin	%	23.6%	24.6%
<b>Implied EV/EBITDA</b>	<b>x</b>	<b>5.5</b>	<b>4.1</b>

Source: IRESS, company filings, NGE estimates.

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Announcement released to the market with the authorisation of:

**David Lamm**  
Chief Investment Officer

**Adam Saunders**  
Portfolio Manager