

Investment & NTA Update

28 February 2023



NGE Capital Summary

ASX ticker	NGE
Share price (28 Feb 23)	\$0.745
Shares outstanding	36,000,000
Market cap	\$26.8m
NTA per share before tax	\$0.976
NTA per share after tax	\$1.040
NTA before tax	\$35.1m
NTA after tax	\$37.4m

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

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

Contact Details

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Net Tangible Assets Per Share

	28 Feb 2023	31 Jan 2023
NTA per share before tax	\$0.976	\$0.953
NTA per share after tax	\$1.040	\$1.017

NTA Per Share Performance Summary

1 month	Year-to -date	Last 12 months	Since inception ¹ (p.a.)	(cum.)
2.4%	5.2%	-2.8%	10.9%	91.4%

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	11.7%
John Wood Group plc	LSE:WG.	11.0%
Danakali	ASX:DNK	9.1%
Golden Energy and Resources	SGX:AUE	8.6%
Metals X	ASX:MLX	5.5%
Jupiter Mines	ASX:JMS	5.5%
Sprott Physical Uranium Trust	TSX:U.UN	5.3%
Geo Energy Resources	SGX:RE4	4.8%
Embark Education	ASX:EVO	4.6%
Argo Group International	NYS:ARGO	2.4%
Stanmore Resources	ASX:SMR	2.3%
OCI N.V.	AMS:OCI	1.9%
Net cash and other		27%
Total		100%

Unrecognised Tax Losses

The Company has ~\$44 million of Australian unused and unrealised losses available as at 28 February 2023. In the aggregate these losses equate to a potential future tax benefit of ~\$11m or ~\$0.32 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

28 February 2023



We discussed our key portfolio positions in detail in the Chairman's Letter which was published in NGE's 2022 Annual Report on 23 February 2023. We encourage investors to read the letter, which can be accessed [here](#).

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We made the following portfolio changes in February:

- We initiated a new position in **Stanmore Resources Limited (ASX:SMR)**, and held ~226.6k shares as at 28 February. Since month end we have added to the position, and currently hold ~358k shares acquired at an average price per share of ~A\$3.54.
- We initiated a new position in **OCI N.V. (AMS:OCI)**, purchasing ~13.5k shares at an average price per share of ~EUR29.35.
- We increased our holding in **Danakali Limited (ASX:DNK)**, and held ~7.5m shares at month end.

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On 22 February **John Wood Group plc (LSE:WG.) (Wood Group)** announced that **Apollo Global Management, Inc. (Apollo)** has made three unsolicited, preliminary and conditional proposals to acquire the company, with the third proposal to acquire the company's equity for GBP2.30 cash per share received on 26 January.

Wood Group's Board rejected each of the proposals, "having concluded that they each significantly undervalued the repositioned Group's prospects".

It was subsequently announced on 7 March that Apollo has made a fourth proposal for a cash offer at GBP2.37 per share. The Board believes the latest offer "continues to undervalue the Group and is therefore minded to reject", however it will take on board shareholder feedback and continue to engage with Apollo.

We agree with Wood Group's Board that the offer undervalues the company and think Apollo can justify a higher bid. As we noted in NGE's Chairman's Letter (emphasis added):

*"Using the CMD forward guidance on revenue growth, EBITDA margins, leases and capex, **we estimate Wood Group is worth ~GBP2.75-3.10 per share on a DCF basis, or roughly a double***

OFFER PRICE SENSITIVITY ANALYSIS

(FYE 31 December)

		Current offer			
EV/EBITDA	x	9.36	9.50	10.00	10.50
FY2023E EBITDA ¹	US\$m	328	328	328	328
EV	US\$m	3,066	3,113	3,277	3,441
Less: adj net debt	US\$m	-1,092	-1,092	-1,092	-1,092
Implied equity value	US\$m	1,975	2,021	2,185	2,349
Increase in outlay	US\$m	0	46	210	374
FX rate (28 Feb)	1 USD:GBP	0.8318	0.8318	0.8318	0.8318
Implied equity value	GBPm	1,642	1,681	1,817	1,954
Shares out.	m	691.8	691.8	691.8	691.8
Implied equity value	GBP/sh	2.37	2.43	2.63	2.82
Share price (28 Feb)	GBP/sh	1.95	1.95	1.95	1.95
Upside	%	21.5%	24.3%	34.4%	44.5%

Source: Company filings, IRESS, NGE analysis.

1 NGE estimate.

from the share price of GBP1.42 as at 31 January. However, given Wood Group's large revenue base (FY23E of ~US\$5.6bn), small improvements in growth and margins can have a big impact on the bottom line."

We also noted that the unambitious Capital Markets Day forward guidance was likely the product of new management deliberately setting a low bar for itself.

By our numbers Apollo's current offer represents a CY23E EV/EBITDA multiple of ~9.4x, well below the ~13.4x comparable trading multiple of Wood Group's closest peer **Worley Limited (ASX:WOR)** (calendarised to 31 Dec; pre-IFRS 16 basis). An increase in the offer multiple to ~10x would equate to ~GBP2.65 per share, or ~35% upside to the month-end share price of GBP1.95, and still well below intrinsic value. The recent strengthening in the USD against the GBP should work in Apollo's favour.

Under the UK's Takeover Code Apollo has until 22 March to either firm up its offer or walk.

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Announcement released to the market with the authorisation of:

David Lamm
Chief Investment Officer

Adam Saunders
Portfolio Manager