Investment & NTA Update

31 January 2025

NGE Capital Summary

ASX ticker	NGE
Share price (31 Jan 25)	$1.070
Shares outstanding	35,431,718
Market cap	$37.9m
NTA per share before tax	$1.326
NTA per share after tax	$1.420
NTA before tax	$47.0m
NTA after tax	$50.3m

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

Leslie Smith
Company Secretary & Chief Financial Officer

Contact Details

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Net Tangible Assets Per Share

	31 Jan 2025	31 Dec 2024
NTA per share before tax	$1.326	$1.288
NTA per share after tax	$1.420	$1.381

NTA Per Share Performance Summary

1 month	Year-to-date	Last 12 months	Since inception[1] (p.a.)	Since inception[1] (cum.)
3.0%	3.0%	6.5%	12.4%	160.1%

Note: Returns are net of all expenses. FYE 31 December.
1 From 30 Nov 2016, the date on which NGE became a LIC.

Portfolio Composition

Company	Ticker	% of NTA
Yellow Cake plc	LSE:YCA	14.0%
Metals X	ASX:MLX	9.4%
Pioneer Credit	ASX:PNC	9.0%
Cash Converters International	ASX:CCV	7.4%
Capricorn Energy PLC	LSE:CNE	5.9%
Sprott Physical Uranium Trust	TSX:U.UN	5.6%
Embark Early Education	ASX:EVO	5.5%
Industrial Logistics Properties	NAS:ILPT	5.1%
Indiana Resources	ASX:IDA	5.0%
Jupiter Mines	ASX:JMS	4.7%
Northern Ocean Ltd.	OSL:NOL	4.6%
K92 Mining Inc.	TSX:KNT	4.3%
MLG Oz	ASX:MLG	4.0%
John Wood Group plc	LSE:WG.	3.1%
Danakali	NSX:DNK	1.7%
Achieve Life Sciences	NAS:ACHV	1.5%
Net cash and other		9%
Total		100%

Unrecognised Tax Losses

The Company has ~$27 million of Australian unused and unrealised losses available as at 31 January 2025. In the aggregate these losses equate to a potential future tax benefit of ~$7m or ~$0.19 per share (of which only ~$3.3m or ~$0.093 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).

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Commentary

31 January 2025

During the month we made the following notable portfolio changes:

- we added to our holding in **MLG Oz Limited (ASX:MLG)**, a position which we had initiated in December and disclose now for the first time. We held 3.0m shares at month end. We set out the investment thesis below; and

- we added to our position in **Achieve Life Sciences, Inc. (NAS:ACHV)**, and held 135k shares at month end. We currently hold 160k shares.

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MLG Oz Limited (ASX:MLG) (MLG or Company) is a Kalgoorlie-based integrated mining services company that was founded by Managing Director Murray Leahy in 2002. Leahy has organically grown the business, starting out as a single-man operation with one truck and a silica mining and haulage services contract, to a nearly half a billion-dollar revenue business with a workforce of over 1,300 people and an extensive fleet of prime movers, trailers, crushers and earthmoving equipment.

MLG's main earnings driver is the provision of on- and off-road ore haulage via a fleet of road-trains, however its service capabilities have increased over time to include the provision of construction materials for mining and civil projects from the Company's strategically located quarries, site services and civil works (e.g. crusher feed, road maintenance, rehabilitation work, vehicle maintenance, machine and labour hire), crushing and screening, and export logistics.

MLG has benefited from the "hub and spoke" model employed by gold miners in the Goldfields region around Kalgoorlie, where ore from multiple satellite mines is transported to large, centralised processing facilities. A lack of rail infrastructure means that the most economic method of ore transportation is via trucking. As the hub-and-spoke model has proven out, MLG's gold mining clients have been expanding their processing capacity and mining operations, and consolidating resources via acquisition.

The progression of contract awards and contract renewals with **Evolution Mining Limited (ASX:EVN)** provides a useful case study for how MLG has quickly grown as its clients' operations have expanded, and it becomes an integral part of and trusted provider to those operations. MLG began providing haulage and site services to Evolution in 2021, with revenues of ~$8m p.a. Within a year the scope of works had expanded, and revenues grew to ~$15-18m p.a. In November 2024, MLG and Evolution signed a new 5-year contract for integrated mining services worth ~$32m p.a.

Other key clients include **Northern Star Resources Ltd (ASX:NST), Westgold Resources Limited (ASX:WGX), Newmont Corporation (TSX:NGT; ASX:NEM), Gold Fields Ltd (JSE:GFI; NYS:GFI), Genesis Minerals Limited (ASX: GMD), Ramelius Resources Limited (ASX: RMS), Vault Minerals Limited (ASX:VAU)** and **Norton Gold Fields Pty Ltd**.

In the medium term, MLG could see growth come from the iron ore majors operating in the Pilbara, as grades from existing mines are starting to decline. Product grades could potentially be improved by blending ore from smaller, higher grade satellite deposits. It may make more economic sense to use outsourced road haulage services to transport ore from satellite mines back to existing iron ore processing infrastructure.

The Company has invested extensively in technology to support the business, monitor performance of contracts in a timely manner, monitor fatigue, measure speed and highlight safety risks, comply with increasingly stringent regulatory requirements, and improve efficiency via roster and equipment monitoring. Leahy knows the risks all too well, having spent close to 3 million kilometres behind the wheel hauling ore around WA, and so is acutely aware of the benefit of investing in transport technologies. It also serves to entrench MLG within its clients' operations, as its large, publicly listed clients want to know their supplier is delivering services in a safe and compliant fashion.

MLG is currently trading as somewhat of a "busted IPO" investment opportunity. The Company listed at $1.00 per share in May 2021, raising ~$71m in gross proceeds: $50m went to the Company from the issue of new shares, and ~$21m went to Leahy as part of a share sale. Leahy continues to own just over 50% of the Company. MLG floated with forecast FY2021E pro forma EBITDA of ~$41m at a margin of ~17%, and an implied EV/EBITDA multiple of ~4.1x. MLG paid a maiden (and to date, the only) fully franked dividend in September 2021.

Things took a turn for the worse in FY2022 and FY2023, however, as EBITDA margins took a heavy hit despite growing revenues due to Covid-19 induced inflationary pressures. These resulted in a rapid increase in the cost of labour, equipment, spare parts, tyres, freight and fuel. In February 2023 the Company sold two high-capacity crushing plants for $19m, which allowed for the paydown of debt and reduced balance sheet stress. However the price

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resulted in a loss on sale and impairments of inventory and ancillary equipment totalling ~$9m.

The market dumped the stock, and despite rebounding from a low of $0.36 per share in March 2023, investor interest at present appears to be tepid. However, we think MLG has shown tremendous resilience in the face of adversity through Covid-19, and is now poised to deliver on improved profitability and resume the payment of dividends.

At the month end share price of $0.625, MLG has a market cap of ~$90m and EV of ~$150m. On a FY25E earnings basis, we estimate MLG is trading at an EV/EBITDA multiple of ~2.6x, P/E of ~10.5x, and EV/FCF (unlevered) of ~10.4x, with upside risk to our numbers. We believe MLG is very undervalued when considering:

- its strong track record of organic growth;
- the opportunities for future growth;
- its long-term customer relationships with a track record of contract renewal and scope expansion – indeed MLG has never had any client terminate its services to replace MLG with another service provider;
- a margin of safety provided a modern owned fleet of heavy vehicles and support equipment worth ~60% more than the valuation ascribed by the current trading price;
- a favourable commodity exposure with ~87% of FY2024 revenues coming from WA- and NT-based gold miners, at a time when the gold price is at an all-time record high (in both USD and AUD terms) and miners are heavily incentivised to expand operations;
- a decrease in competition as key competitors have either ceased ore haulage to focus on other business (e.g. Bis Industries) or gone bust (e.g. Rivet Mining Services, which itself had emerged from the collapse of McAleese);
- underlying earnings and cash flows are being masked by an aggressive accounting depreciation policy and continual reinvestment in the business to keep up with the high level of growth; and
- EBITDA likely to inflect upwards towards a targeted 15% margin (from ~11.6% in FY24) over the coming years as contracts are renewed with updated "rise and fall provisions" that will allow MLG to pass on certain cost impacts in a more timely fashion.

We can see a path towards $75m+ of EBITDA over the next few years, which at a 3-4x EV/EBITDA multiple would see the equity worth ~$1.15-2.00 per share – or ~85-220% higher than the current share price. The resumption of dividends – perhaps following the FY2025 results – should see the return of interest in the stock. Prior to its difficult trading period MLG had stated an intention to pay dividends "in the range of 30-50% of NPAT every six months".

Given his large stake we are not sure that Leahy needs any extra incentive via Performance Rights grants, and the large increase in related party transactions in FY2024 caught our eye; but there is no denying the incredible job he has done in building the business from scratch. We are always keen to back sensible, straight-talking management with long track records of strong performance and a high level of skin in the game, as is certainly the case here.

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Announcement released to the market with the authorisation of:

David Lamm	Adam Saunders
Chief Investment Officer	Portfolio Manager